

SCOMM

45:3



JUNEAU, ALASKA

Alaska State Legislature House

MESSAGE TO THE SENATE

DATE June 20, 1981

MR. PRESIDENT:

The House has passed CSSJR 4(Fin)am (Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money) with the following amendment:

HCS CSSJR 4(Fin)amH (Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations)

and it is transmitted herewith for consideration.


Chief Clerk of the House

Original sponsor: Rules/Governor

Offered: 6/18/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance) am H

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in appro-
8 priations.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
13 to the Alaska permanent fund and appropriations required to pay the
14 principal and interest on general obligation bonds, appropriations from
15 the general fund during a fiscal year shall not exceed the amount
16 appropriated from the general fund in fiscal year 1980 by more than the
17 cumulative inflation and population growth or decline as defined by
18 law. No appropriation in excess of this limit may be made unless a
19 state of emergency is declared by the governor as provided by law.

20 * Sec. 2. The amendment proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
23 tion laws of the state.

Bradley
Chambers
Johnson
Kant
7 Aug.
16-3
Johnson
Kant
Ray
Robley
Am #1
8-11
7-12

Original sponsor: Rules Governor

Offered: 6/11/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limitations on appropriations
8 of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money
13 the governor may request or the legislature may appropriate during a
14 fiscal year shall not exceed the amount appropriated in the preceding
15 fiscal year by more than the *change in the State's population*
16 *and inflation as determined by law* increase in the federal consumer price
17 index for the State for the calendar year preceding the governor's
18 submission of the budget under Section 12 of this article plus or minus
19 a percentage equal to the cumulative average yearly growth or loss in
20 the State's population as shown by the last two federal censuses or
21 reenumerations. Money appropriated under any exception prescribed by
22 Section 17 of this article shall not be included in the base for deter-
23 mining the allowable increase from year to year. [For purposes of this
24 section, the amount of \$2.7 billion shall be used as the amount of
25 appropriations in fiscal year 1982.]

Deleted

26 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The
27 limitations on increases in appropriations established in Section 16 of
28 this article do not apply to money received in trust for a specific
29 purpose; to appropriations of money to be deposited in the Alaska
permanent fund; to money appropriated to pay principal and interest on

1 general obligation bonds; to money appropriated to capitalize loan
2 funds, but only if the money to subsidize these loans at below market
3 interest rates is appropriated separately under the limitations; to
4 money not to exceed \$1,500 per capita appropriated by the affirmative
5 vote of two-thirds of the membership of each house, whether of bond
6 proceeds or otherwise, to construct capital improvements; or to money
7 appropriated by a vote of two-thirds of the membership of each house
8 and approved by the governor to meet disasters of natural or human
9 origin which are declared by the governor.

10 * Sec. 2. The amendment proposed by this resolution shall be placed
11 before the voters of the state at the next general election in conformity
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
13 laws of the state.

Original sponsor: Rules/Governor

Offered: 6/18/81
Referred: Rules

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 HOUSE CS FOR CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in appro-
8 priations.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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14 principal and interest on general obligation bonds, appropriations from
15 the general fund during a fiscal year shall not exceed the amount
16 appropriated from the general fund in fiscal year 1981 by more than the
17 cumulative inflation and population growth or decline as defined by
18 law. No appropriation in excess of this limit may be made unless a
19 state of emergency is declared by the governor as provided by law.

20 * Sec. 2. The amendment proposed by this resolution shall be placed
21 before the voters of the state at the next general election in conformity
22 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
23 tion laws of the state.

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*emergency difference than disaster
limit as severely that it is not representative of needs*

Original sponsor: Gardiner

Offered: 6/11/81
Referred: Judiciary

IN THE HOUSE

BY THE FINANCE COMMITTEE

CS FOR HOUSE JOINT RESOLUTION NO. 4 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limiting increases in appropriations.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX, Constitution of the State of Alaska, is amended by adding a new section to read:

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund and appropriations required to pay the principal and interest on general obligation bonds, appropriations from the general fund during a fiscal year shall not exceed the amount appropriated from the general fund in fiscal year 1980 by more than the cumulative inflation and population growth or decline as defined by law. No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*Change
FY 80 to
FY 81*

*AL I suggest you
Substitute the house bill
(which is now in rules) onto the
Senate SJR-H & pass it out
So we can calendar it
& get it to F.C.C.*

1- CSHJR 4(Fin)

DRAFT
Law

#5 PJ
6/10/81

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or enumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of \$2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these
2 loans at below market interest rates is appropriated separately under
3 the limitations; money appropriated by the affirmative vote of two-
4 thirds of the membership of each house, whether of bond proceeds or
5 otherwise, to construct capital improvements, not to exceed \$1,500 per
6 capita; ~~money appropriated to escrow accounts or otherwise to repay~~
7 ~~general obligation bonds~~; or money appropriated by a vote of two-thirds
8 of the membership of each house and approved by the governor to meet
9 disasters of natural or human origin which are declared by the governor.

10 * Sec. 2. The amendment proposed by this resolution shall be placed be-
11 fore the voters of the state at the next general election in conformity with
12 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
13 laws of the state.

Original sponsor: Rules/Governor

Offered: 5/5/81
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
7 limitations on appropriations of state
8 money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
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14 fiscal year shall not exceed the amount appropriated in the preceding
15 fiscal year by more than the increase in the federal consumer price
16 index for the state for the calendar year preceding the governor's
17 submission of the budget under section 12 of this article plus a per-
18 centage equal to the average yearly growth in the State's population as
19 shown by the last two federal censuses or renumerations. Money appro-
20 priated under any exemption prescribed by section 17 of this article
21 shall not be included in the base for determining the allowable increase
22 from year to year.

23 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
24 tations on increases in appropriations do not apply to appropriations
25 of money to be deposited in the permanent fund; money appropriated to
26 pay permanent fund dividends; money appropriated to capitalize loan
27 funds, but the money to subsidize low interest loans must be appro-
28 priated separately and is subject to the limitations; money appropriated
29 to construct capital improvements, whether of bond proceeds or other-

Would this include
endowment funds?

Think about
this

1 wise, where the appropriation for the capital improvements is approved
2 by the voters; money appropriated to escrow accounts or otherwise to
3 repay general obligation bonds; money appropriated as a reserve for
4 disasters of natural or human origin or other emergencies; money appro-
5 priated to coincide with increases in user fees; money appropriated to
6 meet increases in costs to the State resulting from court orders or a
7 transfer of authority or responsibility to the State from the federal
8 government; money derived from one-quarter of the income from those
9 contributions made to the permanent fund which exceed the minimum
10 required by this constitution; or money appropriated by a vote of
11 two-thirds of the membership of each house and approved by the governor
12 to meet disasters of natural or human origin which are declared by the
13 governor.

14 * Sec. 2. The amendment proposed by this resolution shall be placed be-
15 fore the voters of the state at the next general election in conformity with
16 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
17 laws of the state.

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attention

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approved by the governor to meet disasters of natural or human origin which are declared by the governor.

*Sec. 2. The amendment proposed by this resolution shall be placed before the voter of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

SUMMARY OF SJR 4 ---

CONSTITUTIONAL AMENDMENT ON SPENDING LIMITATIONS

The expenditure limitation proposed by Governor Hammond will constitutionally limit the growth in appropriation of state funds to a rate determined by inflation and population growth. Inflation will be measured by the increase in the consumer price index for the preceding calendar year and population growth will be an annual average calculated from federal censuses or renumerations. These two measures of growth will allow the state to keep up with increasing cost factors, while constraining growth within reasonable and responsible bounds.

Certain exceptions are allowed to provide for particular requirements and circumstances which relate to the Alaska situation. These exceptions are listed below:

1. Contributions to the Permanent Fund (the State's savings account).
2. Payments of the Permanent Fund Dividend (the public's return on those savings).

3. Appropriations to loan funds, provided that any loan subsidies are appropriated and are constrained by the spending limit.
4. Appropriations for capital improvements approved by the voters so long as life cycle operating costs have been identified.
5. Appropriations to repay outstanding general obligation debt of state.
6. Appropriations funded through increased user fees.
7. Appropriations required by court orders or federal transfer of functions to state government.
8. Appropriations for natural disasters. Such appropriations would require a gubernatorial declaration of disaster, passage by a two-thirds majority of membership of each house, and approval by the Governor.

If this proposal is passed by the Legislature, it will go on the 1982 general election ballot and would, if approved by voters, be effective for the fiscal year 1984 budget.

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SPONSOR SUBSTITUTE FOR

3 SENATE JOINT RESOLUTION NO. 4

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing an amendment to the Constitu-
7 tion of the State of Alaska relating to
8 limitations on appropriations of state
9 money.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money
14 The governor may request or the legislature may appropriate during a
15 fiscal year shall not exceed the amount of \$2.5 billion for the base
16 fiscal year of 1982 by more than the cumulative increase in the federal
17 consumer price index for the State for the calendar years preceding the
18 governor's submission of the budget under section 12 of this article
19 plus or minus a percentage equal to the cumulative average yearly
20 growth or loss in the State's population as shown by the last two
21 federal censuses or renumerations. Money appropriated under any excep-
22 tion prescribed by section 17 of this article shall not be included in
23 the base for determining the allowable increase from year to year.

24 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
25 tations on increases in appropriations do not apply to money received
26 in trust for a specific purpose; to appropriations of money to be
27 deposited in the permanent fund; money appropriated to pay permanent
28 fund dividends; money appropriated to capitalize loan funds, but only
29 if the money to subsidize these loans at below market interest rates is

1 appropriated separately under the limitations; money appropriated to
2 construct capital improvements, whether of bond proceeds or otherwise,
3 where the appropriation for the capital improvements is approved by the
4 voters; money appropriated to escrow accounts or otherwise to repay
5 general obligation bonds; money appropriated as a reserve for disasters
6 of natural or human origin or other emergencies; money appropriated to
7 coincide with increases in user fees; money appropriated to meet
8 increases in costs to the State resulting from court orders or a trans-
9 fer of authority or responsibility to the State from the federal
10 government; money derived from one-quarter of the income from those
11 contributions made to the permanent fund which exceed the minimum
12 required by this constitution; or money appropriated by a vote of
13 two-thirds of the membership of each house and approved by the governor
14 to meet disasters of natural or human origin which are declared by the
15 governor.

16 * Sec. 2. The amendment proposed by this resolution shall be placed be-
17 fore the voters of the state at the next general election in conformity with
18 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
19 laws of the state.
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Original sponsor: Rules/Governor

Offered: 5/5/81
Referred: Finance

1 IN THE SENATE

BY THE JUDICIARY COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Judiciary)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
7 limitations on appropriations of state
8 money.

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14 fiscal year shall not exceed the amount appropriated in the preceding
15 fiscal year by more than the increase in the federal consumer price
16 index for the state for the calendar year preceding the governor's
17 submission of the budget under section 12 of this article plus a per-
18 centage equal to the average yearly growth in the State's population as
19 shown by the last two federal censuses or renumerations. Money appro-
20 priated under any exemption prescribed by section 17 of this article
21 shall not be included in the base for determining the allowable increase
22 from year to year.

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24 tations on increases in appropriations do not apply to appropriations
25 of money to be deposited in the permanent fund; money appropriated to
26 pay permanent fund dividends; money appropriated to capitalize loan
27 funds, but the money to subsidize low interest loans must be appro-
28 priated separately and is subject to the limitations; money appropriated
29 to construct capital improvements, whether of bond proceeds or other-

1 wise, where the appropriation for the capital improvements is approved
2 by the voters; money appropriated to escrow accounts or otherwise to
3 repay general obligation bonds; money appropriated as a reserve for
4 disasters of natural or human origin or other emergencies; money appro-
5 priated to coincide with increases in user fees; money appropriated to
6 meet increases in costs to the State resulting from court orders or a
7 transfer of authority or responsibility to the State from the federal
8 government; money derived from one-quarter of the income from those
9 contributions made to the permanent fund which exceed the minimum
10 required by this constitution; or money appropriated by a vote of
11 two-thirds of the membership of each house and approved by the governor
12 to meet disasters of natural or human origin which are declared by the
13 governor.

14 * Sec. 2. The amendment proposed by this resolution shall be placed be-
15 fore the voters of the state at the next general election in conformity with
16 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
17 laws of the state.

Introduced: 2/4/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 HOUSE JOINT RESOLUTION NO. 5

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
7 limitations on appropriations of state
8 money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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12 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money
13 appropriated during a fiscal year shall not exceed the amount appropri-
14 ated in the preceding fiscal year by more than the increase in the fed-
15 eral consumer price index for the state for the calendar year preceding
16 the governor's submission of the budget under section 12 of this arti-
17 cle plus a percentage equal to the average yearly growth in the State's
18 population as shown by the last two federal censuses or renumerations.
19 Money appropriated under any exception prescribed by section 17 of this
20 article shall not be included in the base for determining the allowable
21 increase from year to year.

22 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
23 tations on increases in appropriations do not apply to appropriations
24 of money to be deposited in the permanent fund; money appropriated to
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28 to construct capital improvements, whether of bond proceeds or other-
29 wise, where the appropriation for the capital improvements is approved

1 by the voters; money appropriated to escrow accounts or otherwise to
2 repay general obligation bonds; money appropriated as a reserve for
3 disasters of natural or human origin or other emergencies; money appro-
4 priated to coincide with increases in user fees; money appropriated to
5 meet increases in costs to the State resulting from court orders or a
6 transfer of authority or responsibility to the State from the federal
7 government; money derived from one-quarter of the income from those
8 contributions made to the permanent fund which exceed the minimum
9 required by this constitution; or money appropriated by a vote of
10 two-thirds of the membership of each house and approved by the governor
11 to meet disasters of natural or human origin which are declared by the
12 governor.

13 * Sec. 2. The amendment proposed by this resolution shall be placed be-
14 fore the voters of the state at the next general election in conformity with
15 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
16 laws of the state.

Arless:

This is the best of the amendments I've seen so far.

① Delete the reference to "loans to be made by the state,"
and ② add in the population growth/inflation index, and ③ make
the limit the lesser of the two.

Introduced: 2/4/81
Referred: Finance and
Judiciary

John

1 IN THE HOUSE

BY GARDINER

2 HOUSE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the
6 Constitution of the State of Alaska
7 relating to limiting increases in
8 expenditures and requiring payment
9 by the state of mandated increased
10 expenditures of a political sub-
11 division of the state.

12 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. Article IX, Constitution of the State of Alaska, is amended
14 by adding a new section to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the
16 rate of growth of appropriations from state revenues, excepting ap-
17 propriations to the permanent fund established in Section 15 of this
18 article and excepting appropriations made for the purpose of ^{income producing use.} loans to
19 be made by the State, exceed the estimated rate of growth of the
20 economy of the State as determined by law. An appropriation in excess
21 of this limit shall not be made unless a state of emergency is declared
22 to exist, as provided by law. A state of emergency may not be declared
23 if a state of emergency has been declared within the preceding three
24 years. The appropriation limit for each of the three years following
25 the declaration of emergency shall be adjusted equally so that the
26 total appropriations for the year of the emergency and the succeeding
27 three years do not exceed the appropriations which could have been made
28 under this section if no emergency had been declared. The limit on
29 rate of growth of appropriations for each year shall be calculated

1 without regard to a declared emergency or the subsequent three-year
2 adjustment.

3 * Sec. 2. The amendment proposed by this resolution shall be placed
4 before the voters of the state at the next general election in conformity
5 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elect-
6 ion laws of the state.

Introduced: 2/4/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY GARDINER

2 HOUSE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the
6 Constitution of the State of Alaska
7 relating to limiting increases in
8 expenditures ~~and requiring payment~~
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20 ~~economy of the State as determined by law. An appropriation in excess~~
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Introduced: 1/13/81
Referred: Transportation,
Judiciary and Finance

1 IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

2 SENATE JOINT RESOLUTION NO. 4

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
7 limitations on appropriations of state
8 money.

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16 the governor's submission of the budget under section 12 of this arti-
17 cle plus a percentage equal to the average yearly growth in the State's
18 population as shown by the last two federal censuses or renumerations.
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27 priated separately and is subject to the limitations; money appropriated
28 to construct capital improvements, whether of bond proceeds or other-
29 wise, where the appropriation for the capital improvements is approved

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2 repay general obligation bonds; money appropriated as a reserve for
3 disasters of natural or human origin or other emergencies; money appro-
4 priated to coincide with increases in user fees; money appropriated to
5 meet increases in costs to the State resulting from court orders or a
6 transfer of authority or responsibility to the State from the federal
7 government; money derived from one-quarter of the income from those
8 contributions made to the permanent fund which exceed the minimum
9 required by this constitution; or money appropriated by a vote of
10 two-thirds of the membership of each house and approved by the governor
11 to meet disasters of natural or human origin which are declared by the
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16 laws of the state.
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AMENDMENT

①

OFFERED IN THE SENATE:

By: FISCHER

To: _____ SENATE BILL No. SJR 4

HOUSE BILL No. _____

PAGE: 1

LINE: 15-20

Strike rest of sentence after
first "the" in line 15 and
insert: "change in the
State's population and
inflation is determined
by law."

AMENDMENT

②

OFFERED IN THE SENATE:

By: FISCHER

To: _____ SENATE BILL No. 57R 4

HOUSE BILL No. _____

PAGE: 100

LINE: _____

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2 }

{ 29
6 }

delete all material
after semicolon on
page 1, line 29, through
semicolon on page 2, line 6

IN THE SENATE

BY THE FINANCE COMMITTEE

CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year as adjusted for national inflation as defined by law for the calendar year preceding the governor's submission of the budget under Section 12 of this article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or renumerations. For purposes of this section the amount of \$_____ billion is to be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXCEPTION FROM APPROPRIATION LIMITATION. The limitation on increases in appropriations in Section 16 of this article does not apply to appropriations to the Alaska permanent fund or to appropriations to other funds that produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and is subject to the appropriation limitation. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation without

1 regard to the appropriation limitation under Section 16 of this article,
2 but each extraordinary appropriation shall be limited to a single item
3 of appropriation for a single purpose. Each extraordinary appropriation
4 shall be subject to the provisions regarding vetoes in Sections 15 and
5 16 of Article II, except that a three-quarters vote of the membership
6 of each house shall be required to override a veto of an extraordinary
7 appropriation. The governor may not propose an extraordinary appropri-
8 ation in the budget submitted under Section 12 of this article. Extra-
9 ordinary appropriations shall not be included in calculating the appro-
10 priation limitation for the next fiscal year.

11 * Sec. 2. The amendment proposed by this resolution shall be placed
12 before the voters of the state at the next general election in conformity
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
14 laws of the state.
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1 IN THE SENATE

BY STURGULEWSKI

2 SENATE JOINT RESOLUTION NO.

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SPECIAL SESSION

5 Proposing an amendment to the
6 Constitution of the State of Alaska
7 relating to limiting increases in
8 appropriations.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX, Constitution of the State of Alaska, is amended
11 by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
13 to the Alaska permanent fund, appropriations required to pay the princi-
14 pal and interest on general obligation bonds, and appropriations of
15 money received from a non-state source in trust for a specific purpose,
16 appropriations from the treasury for a fiscal year shall not exceed .
17 \$2,000,000,000 by more than the cumulative change, derived from federal
18 indices designated by law, in population and inflation since July 1,
19 1979. The limitation on increases in appropriations established by
20 this section does not apply to money appropriated for construction of
21 capital improvements not to exceed in a fiscal year the sum of \$1,250
22 per capita if the appropriation is approved by an affirmative vote of
23 two-thirds of the membership of each house. This appropriation shall
24 be subject to the provisions regarding vetoes in Sections 15 and 16 of
25 Article II, except that a three-fourths vote of the membership of each
26 house shall be required for the appropriation, although vetoed, to
27 become law. No other appropriation in excess of this limit may be
28 proposed by the governor or approved by the legislature unless to meet
29 a state of disaster declared by the governor as prescribed by law. The

1 governor shall cause any unappropriated balance to be invested so as to
2 yield competitive market rates to the treasury.

3 * Sec. 2. The amendment proposed by this resolution shall be placed
4 before the voters of the state at the next general election in conformity
5 with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
6 tion laws of the state.

Bill
versions

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR

3 SENATE JOINT RESOLUTION NO. 4

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing an amendment to the Constitu-
7 tion of the State of Alaska relating to
8 limitations on appropriations of state
9 money.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. Article IX of the Constitution of the State of Alaska is
12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money
14 The governor may request or the legislature may appropriate during a
15 fiscal year shall not exceed the amount of \$2.5 billion for the base
16 fiscal year of 1982 by more than the cumulative increase in the federal
17 consumer price index for the State for the calendar years preceding the
18 governor's submission of the budget under section 12 of this article
19 plus or minus a percentage equal to the cumulative average yearly
20 growth or loss in the State's population as shown by the last two
21 federal censuses or renumerations. Money appropriated under any excep-
22 tion prescribed by section 17 of this article shall not be included in
23 the base for determining the allowable increase from year to year.

24 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
25 tations on increases in appropriations do not apply to money received
26 in trust for a specific purpose; to appropriations of money to be
27 deposited in the permanent fund; money appropriated to pay permanent
28 fund dividends; money appropriated to capitalize loan funds, but only
29 if the money to subsidize these loans at below market interest rates is

1 appropriated separately under the limitations; money appropriated to
2 construct capital improvements, whether of bond proceeds or otherwise,
3 where the appropriation for the capital improvements is approved by the
4 voters; money appropriated to escrow accounts or otherwise to repay
5 general obligation bonds; money appropriated as a reserve for disasters
6 of natural or human origin or other emergencies; money appropriated to
7 coincide with increases in user fees; money appropriated to meet
8 increases in costs to the State resulting from court orders or a trans-
9 fer of authority or responsibility to the State from the federal
10 government; money derived from one-quarter of the income from those
11 contributions made to the permanent fund which exceed the minimum
12 required by this constitution; or money appropriated by a vote of
13 two-thirds of the membership of each house and approved by the governor
14 to meet disasters of natural or human origin which are declared by the
15 governor.

16 * Sec. 2. The amendment proposed by this resolution shall be placed be-
17 fore the voters of the state at the next general election in conformity with
18 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
19 laws of the state.
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Introduced: 1/13/81
Referred: Community & Regional
Affairs and Finance

1 IN THE SENATE

BY COLLETTA

2 SENATE JOINT RESOLUTION NO. 3

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in expendi-
8 tures and requiring payment by the
9 state of mandated increased expendi-
10 tures of a political subdivision of
11 the state.

12 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. Article IX, Constitution of the State of Alaska is amended
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the
16 rate of growth of appropriations from state revenues, excepting appropria-
17 tions to the permanent fund established in Section 15 of this article
18 and excepting appropriations for capital improvements, exceed the esti-
19 mated rate of growth of the economy of the State as determined by law.
20 An appropriation in excess of this limit shall not be made unless a
21 state of emergency is declared to exist, as provided by law. The
22 appropriation limit for each of the three years following the
23 declaration of emergency shall be adjusted equally so that the total
24 appropriations for the year of the emergency and the succeeding three
25 years do not exceed the appropriations which could have been made under
26 this section if no emergency had been declared. The limit on rate of
27 growth of appropriations for each year shall be calculated without
28 regard to a declared emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received

1 by the State in excess of the amount appropriated in compliance with
2 this article during a fiscal year shall be distributed to the taxpayers
3 of the State as provided by law. No appropriation is required for a
4 distribution under this section within the succeeding fiscal year.

5 * Sec. 2. Article II, Constitution of the State of Alaska is amended by
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general
8 law requiring increased expenditures by a political subdivision shall
9 become effective unless the legislature has provided that the State pay
10 the amount of increased cost to the political subdivision.

11 * Sec. 3. The amendments proposed by this resolution shall be placed
12 before the voters of the state at the next general election in conformity
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the
14 election laws of the state.
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SUMMARY OF SJR 4 --
CONSTITUTIONAL AMENDMENT ON SPENDING LIMITATIONS

The expenditure limitation proposed by Governor Hammond will constitutionally limit the growth in appropriations of state funds to a rate determined by inflation and population growth. Inflation will be measured by the increase in the consumer price index for the preceding calendar year and population growth will be an annual average calculated from federal censuses or renumerations. These two measures of growth will allow the state to keep up with increasing cost factors, while constraining growth within reasonable and responsible bounds.

Certain exceptions are allowed to provide for particular requirements and circumstances which relate to the Alaska situation. These exceptions are listed below:

1. Contributions to the Permanent Fund (the state's savings account).
2. Payments of the Permanent Fund Dividend (the public's return on those savings).
3. Appropriations to loan funds, provided that any loan subsidies are appropriated and are constrained by the spending limit.
4. Appropriations for capital improvements approved by the voters.
5. Appropriations to repay outstanding general obligation debt of the state.
6. Appropriations to a disaster reserve account (rainy-day account).

7. Appropriations funded through increased user fees.
8. Appropriations required by court orders or federal transfer of functions to state government.
9. Appropriations funded by one-quarter of the earnings which result from extra contributions to the Permanent Fund, i.e., contributions in excess of those required by the Constitution.
10. Appropriations for natural disasters. This includes reserve funds from the account referred to in 6. above. Such appropriations would require a gubernatorial declaration of disaster, passage by a two-thirds majority of membership of each house, and approval by the Governor.

If this proposal is passed by the Legislature, it will go on the 1982 general election ballot and would, if approved by voters, be effective for the fiscal year 1984 budget.

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983, in no fiscal year shall the rate of growth of general fund appropriations, excepting appropriations for income-producing ~~investments~~ investments, exceed the cumulative rate of growth of the economy of the State since fiscal year 1980 as determined by law. ^{No} An appropriation in excess of this limit shall ~~not~~ be made unless a state of emergency is declared by the governor to exist, as provided by law.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount _____ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

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quies in
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at 11*

← BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

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Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount _____ billion for the base fiscal year of 1982 by more than the ~~increase in amount~~ *the national consumer price index* for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal ~~census~~ *population* or reenumerations. ~~Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.~~

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Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. ~~Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation.~~ The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ _____ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an ^{extraordinary} ~~extraordinary~~ appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation, ^{but these} ~~but these~~ ^{for} ~~for~~

appropriations shall not be included in the base for the next fiscal year

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

the next fiscal year

Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to limitations on appropri-
8 ations of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
13 to the permanent fund and appropriations required to pay the principal
14 and interest on general obligation bonds, the amount of money appro-
15 priated during a fiscal year, from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. The governor shall cause any unappropriated balance to be
28 invested at market rates. The base fiscal year for purposes of this
29 section is the period from July 1, 1980 to June 30, 1981.

1 * Sec. 2. The amendment proposed by this resolution shall be placed
2 before the voters of the state at the next general election in conformity
3 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
4 laws of the state.

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HOGAN'S VERSION

POSITION PAPER

To limit only the operating budget of the State, while allowing other expenditures to accumulate without limitation means two things. First, it means parallel budgets, one which is limited, the other which is not. People of the State want State expenditures to be limited, not just slices of particular budgets. Secondly, to allow uncontrolled growth outside the limitation means to place a time bomb at the heart of the operating budget which will eventually explode the ceiling. Capital projects create operating budget impacts. The current rule of thumb is that their operational expenses are \$1 for every \$4 construction costs -- on an annual basis. Similarly, loan programs and all other programs which would be allowed under this version impact the operating budget.

It should be remembered that the operational cost of government per se has been but a minor percentage of the increase in State expenditures. Far more important have been capital projects, loan capitalization, and such new projects as the Energy Center and Delta Barley.

Unless the expenditures outside the operating budget are controlled, there will be no way eventually to keep within the limitation except by facing the choice of abandoning facilities or eliminating services. At this point, there would be a strong incentive to repealing the expenditure limitation.

It should also be remembered that one of the goals of the expenditure limitation is not just the control of the operating budget so that government costs can be carried when Prudhoe Bay revenues decline. People also want to be sure that there are funds which have been either preserved or wisely invested so that there is an economic return to the citizens to offset declining oil revenues. Under this version, there is no way of insuring that this goal will occur -- as a matter of fact, all the non-operating budget funds could be spent rather than invested for future use.

All the portions of current expenditures which have primarily inflated the State budget are outside the appropriation limitation. Loans and loan subsidies, capital projects, special projects and every other sort of constituent desire are exempted from limitation. This means that legislators are left in much the same position they now occupy: there is no reason to say no.

The operating budget override mechanism applies only to amounts in excess of the operating budget limitation, where there is less pressure to overspend. Even when there is a desire for an operating budget item, if there is no room left under the ceiling, it will be simple enough to place it in the capital budget, as now occurs or simply to pass a separate appropriation bill.

Hence, the net effect of this version will be to give the appearance of a spending limit while in no way restricting the flexibility of either the Governor or the Legislature to spend as they wish.

Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to limitations on appropri-
8 ations of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except-for-appropriations~~
13 ~~to-the-permanent-fund-and-appropriations-required-to-pay-the-principal~~
14 ~~and-interest-on-general-obligation-bonds,~~ the amount of money appro-
15 priated during a fiscal year, ^{for the operating costs of state government*} from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. ~~The-governor-shall-cause-any-unappropriated-balance-to-be~~
28 ~~invested-at-market-rates.~~ The base fiscal year for purposes of this
29 section is the period from July 1, ¹⁹⁸¹ ~~1980~~ to June 30, ¹⁹⁸² ~~1981~~.

* Additional language could specify "and state operating grants to local governments."

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5 Proposing an amendment to the Constitu-
6 tion of the State of Alaska relating to
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15 fiscal year by more than the increase in the federal consumer price in-
16 dex for the State for the calendar year preceding the governor's sub-
17 mission of the budget under section 12 of this article plus or minus a
18 percentage equal to the cumulative average yearly growth or loss in the
19 State's population as shown by the last two federal censuses or renum-
20 erations. Money appropriated under any exception prescribed by section
21 17 of this article shall not be included in the base for determining
22 the allowable increase from year to year. For purposes of this sec-
23 tion, the amount of \$2.7 billion shall be used as the amount of appro-
24 priations in fiscal year 1982.

25 SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
26 tations on increases in appropriations do not apply to money received
27 from another in trust for a specific purpose; to appropriations of
28 money to be deposited in the permanent fund; money appropriated to pay
29 principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these
2 loans at below market interest rates is appropriated separately under
3 the limitations; money appropriated by the affirmative vote of two-
4 thirds of the membership of each house, whether of bond proceeds or
5 otherwise, to construct capital improvements, not to exceed \$1,500 per
6 capita; or money appropriated by a vote of two-thirds of the membership
7 of each house and approved by the governor to meet disasters of natural
8 or human origin which are declared by the governor.

9 * Sec. 2. The amendment proposed by this resolution shall be placed be-
10 fore the voters of the state at the next general election in conformity with
11 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
12 laws of the state.

Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

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6 stitution of the State of Alaska
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13 ~~to-the-permanent-fund-and-appropriations-required-to-pay-the-principal~~
14 ~~and-interest-on-general-obligation-bonds,~~ the amount of money appro-
15 priated during a fiscal year, ^{for the operating costs of state government*} from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. ~~The-governor-shall-cause-any-unappropriated-balance-to-be~~
28 ~~invested-at-market-rates.~~ The base fiscal year for purposes of this
29 section is the period from July 1, ¹⁹⁸¹ ~~1980~~ to June 30, ¹⁹⁸² ~~1981~~.

* Additional language could specify "and state operating grants to local governments."

Introduced: 5/19/81
Referred: Finance and
Judiciary

IN THE HOUSE

BY MALONE AND BEIRNE

HOUSE JOINT RESOLUTION NO. 57

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Con-
stitution of the State of Alaska
relating to limitations on appropri-
ations of state money.

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SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
to the permanent fund and appropriations required to pay the principal
and interest on general obligation bonds, ~~the amount of money appro-~~^{general fund}
~~riated~~^{ions} during a fiscal year, ~~from whatever source and for whatever~~
~~purpose~~, shall not exceed the amount appropriated in ~~the base fiscal~~^{fiscal year 1980}
~~year by more than the cumulative increase in the federal consumer price~~^{year by more than the cumulative inflation and population}
~~growth as defined by law.~~
~~index for the State for the calendar years preceding the governor's~~
~~submission of the budget under Section 12 of this article plus or minus~~
~~a percentage equal to the cumulative average yearly growth or loss in~~
~~the State's population as shown by the last two federal censuses or~~
~~enumerations. The legislature may, by affirmative vote of two thirds~~
~~of the membership of each house, make appropriations in excess of this~~
~~limit by enactment of appropriation bills limited to a single item of~~
~~appropriation for a single purpose but the excess appropriations, if~~
~~any, shall not be included in calculating the limit for the next fiscal~~
~~year. The governor shall cause any unappropriated balance to be~~
~~invested at market rates. The base fiscal year for purposes of this~~
~~section is the period from July 1, 1980 to June 30, 1981.~~

No appropriation in excess of this limit may be
made unless a state of emergency is declared by
the governor, as provided by law. ~~as defined by law~~

Berrier

Original sponsor: Rules/Governor

1 IN THE SENATE

BY THE FINANCE COMMITTEE

2 CS FOR SENATE JOINT RESOLUTION NO. 4 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limitations on appropriations
8 of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding new sections to read:

12 SECTION 16. APPROPRIATION LIMITATION. The amount of state money
13 the governor may request or the legislature may appropriate during a
14 fiscal year shall not exceed the amount appropriated in the preceding
15 fiscal year as adjusted for national inflation as defined by law for
16 the calendar year preceding the governor's submission of the budget
17 under Section 12 of this article, plus or minus a percentage equal to
18 the cumulative average yearly growth or loss in the state's population
19 as shown by the last two federal censuses or renumerations. For pur-
20 poses of this section the amount of \$ _____ billion is to be used as
21 the amount of appropriations in fiscal year 1982.

22 SECTION 17. EXCEPTION FROM APPROPRIATION LIMITATION. The limita-
23 tion on increases in appropriations in Section 16 of this article does
24 not apply to appropriations to the Alaska permanent fund or to appropri-
25 ations to other funds that produce income at market rates. Income from
26 appropriations excepted from the appropriation limitation shall be
27 returned to the general fund and is subject to the appropriation limita-
28 tion. The legislature may, by affirmative vote of two-thirds of the
29 membership of each house, make an extraordinary appropriation without

1 regard to the appropriation limitation under Section 16 of this article,
2 but each extraordinary appropriation shall be limited to a single item
3 of appropriation for a single purpose. Each extraordinary appropriation
4 shall be subject to the provisions regarding vetoes in Sections 15 and
5 16 of Article II, except that a three-quarters vote of the membership
6 of each house shall be required to override a veto of an extraordinary
7 appropriation. The governor may not propose an extraordinary appropri-
8 ation in the budget submitted under Section 12 of this article. Extra-
9 ordinary appropriations shall not be included in calculating the appro-
10 priation limitation for the next fiscal year.

11 * Sec. 2. The amendment proposed by this resolution shall be placed
12 before the voters of the state at the next general election in conformity
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
14 laws of the state.
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Introduced: 1/13/81
Referred: Community & Regional
Affairs and Finance

1 IN THE SENATE

BY COLLETTA

2 SENATE JOINT RESOLUTION NO. 3

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Consti-
6 tution of the State of Alaska relat-
7 ing to limiting increases in expendi-
8 tures and requiring payment by the
9 state of mandated increased expendi-
10 tures of a political subdivision of
11 the state.

12 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

13 * Section 1. Article IX, Constitution of the State of Alaska is amended
14 by adding new sections to read:

15 SECTION 16. APPROPRIATION GROWTH LIMIT. In no year shall the
16 rate of growth of appropriations from state revenues, excepting appropria-
17 tions to the permanent fund established in Section 15 of this article
18 and excepting appropriations for capital improvements, exceed the esti-
19 mated rate of growth of the economy of the State as determined by law.
20 An appropriation in excess of this limit shall not be made unless a
21 state of emergency is declared to exist, as provided by law. The
22 appropriation limit for each of the three years following the
23 declaration of emergency shall be adjusted equally so that the total
24 appropriations for the year of the emergency and the succeeding three
25 years do not exceed the appropriations which could have been made under
26 this section if no emergency had been declared. The limit on rate of
27 growth of appropriations for each year shall be calculated without
28 regard to a declared emergency or the subsequent three-year adjustment.

29 SECTION 17. RETURN OF REVENUES TO TAXPAYERS. Revenues received

1 by the State in excess of the amount appropriated in compliance with
2 this article during a fiscal year shall be distributed to the taxpayers
3 of the State as provided by law. No appropriation is required for a
4 distribution under this section within the succeeding fiscal year.

5 * Sec. 2. Article II, Constitution of the State of Alaska is amended by
6 adding a new section to read:

7 SECTION 22. INCREASED COSTS TO POLITICAL SUBDIVISIONS. No general
8 law requiring increased expenditures by a political subdivision shall
9 become effective unless the legislature has provided that the State pay
10 the amount of increased cost to the political subdivision.

11 * Sec. 3. The amendments proposed by this resolution shall be placed
12 before the voters of the state at the next general election in conformity
13 with art. XIII, sec. 1, Constitution of the State of Alaska, and the
14 election laws of the state.

Introduced: 6/8/81
Referred: Finance

1 IN THE HOUSE

BY MEEKINS AND ~~BUCHHOLDT~~

2 HOUSE BILL NO. 607

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act limiting expenditures which may be proposed by
7 the governor."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 * Section 1. AS 37.07.020 is amended by adding new subsections to read:

10 (e) Proposed expenditures during a fiscal year may not exceed the
11 amount appropriated in the preceding fiscal year by more than the
12 increase in the federal consumer price index for the state for the
13 calendar year preceding the governor's submission of the budget plus a
14 percentage equal to the average yearly growth in the state's population
15 as shown by the last two federal censuses or renumerations. Expendi-
16 tures proposed under an exception prescribed by (f) of this section may
17 not be included in the base for determining the allowable increase from
18 year to year.

19 (f) The limitations on increases in proposed expenditures in
20 AS 37.07.020(e) do not apply to money

- 21 (1) to be deposited in the permanent fund;
22 (2) requested to pay permanent fund dividends;
23 (3) requested to capitalize loan funds, but the money to
24 subsidize low-interest loans must be requested separately and is sub-
25 ject to the limitations;
26 (4) requested to construct capital improvements, from bond
27 proceeds;
28 (5) requested for escrow accounts or otherwise requested to
29 repay general obligation bonds;

1 (6) requested as a reserve for disasters of natural or human
2 origin or other emergencies;

3 (7) requested to coincide with increases in user fees;

4 (8) requested to meet increases in costs to the state
5 resulting from court orders or from a transfer of authority or responsi-
6 bility to the state from the federal government;

7 (9) derived from one-quarter of the income from those
8 contributions made to the permanent fund which exceed the minimum
9 required by art. 14, sec. 15 of the Constitution of the State of
10 Alaska; or

11 (10) requested to meet disasters of natural or human origin
12 which are declared by the governor.

13 * Sec. 2. AS 37.07.100 is amended to read:

14 Sec. 37.07.100. PROPOSED SUPPLEMENTAL OR DEFICIENCY APPROPRIA-
15 TIONS. The governor from time to time may transmit to the legislature
16 proposed supplemental or deficiency appropriations which in his judg-
17 ment are necessary on account of laws enacted after the transmission of
18 the budget, or are otherwise in the public interest. He shall accompany
19 each proposal with a statement of the reasons for it, including the
20 reasons for its omission from the budget. The total amount of all
21 appropriations proposed by the governor may not exceed the limitations
22 of AS 37.07.020(e).
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Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to limitations on appropri-
8 ations of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
13 to the permanent fund and appropriations required to pay the principal
14 and interest on general obligation bonds, the amount of money appro-
15 priated during a fiscal year, from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. The governor shall cause any unappropriated balance to be
28 invested at market rates. The base fiscal year for purposes of this
29 section is the period from July 1, 1980 to June 30, 1981.

What rate would
this be at
percent?

Why this
clause?

Wouldn't he
cancel any
way the rest
is needed
bill

1 * Sec. 2. The amendment proposed by this resolution shall be placed
2 before the voters of the state at the next general election in conformity
3 with art. XIII, sec. 1, Constitution of the State of Alaska, and the election
4 laws of the state.

Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to limitations on appropri-
8 ations of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska is
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except for appropriations~~
13 ~~to the permanent fund and appropriations required to pay the principal~~
14 ~~and interest on general obligation bonds,~~ the amount of money appro-
15 priated during a fiscal year ^{for the operating costs of state government*} from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. ~~The governor shall cause any unappropriated balance to be~~
28 ~~invested at market rates.~~ The base fiscal year for purposes of this
29 section is the period from July 1, ¹⁹⁸¹ ~~1980~~ to June 30, ¹⁹⁸² ~~1981~~.

* Additional language could specify "and state operating grants to local governments."

Introduced: 6/8/81
Referred: State Affairs,
Resources and Finance

1 IN THE SENATE

BY FISCHER

2 SENATE BILL NO. 591

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the Alaska permanent fund."

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 * Section 1. AS 37.13.010(a) is repealed and reenacted to read:

9 (a) Under art. IX, sec. 15 of the state constitution, there is
10 established as a separate fund the Alaska permanent fund. The Alaska
11 permanent fund consists of

12 (1) 75 percent of all mineral lease rentals, royalties,
13 royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g),
14 and federal mineral revenue sharing payments received by the state from
15 all mineral leases issued on or before December 1, 1979;

16 (2) 25 percent of all bonuses received by the state from
17 mineral leases issued on or before February 15, 1980;

18 (3) 50 percent of all bonuses received by the state from
19 mineral leases issued after February 15, 1980 and before the effective
20 date of this Act;

21 (4) 75 percent of all bonuses received by the state from
22 mineral leases issued after the effective date of this Act; and

23 (5) any other money appropriated to or otherwise allocated
24 by law to the Alaska permanent fund.
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**PLEASE NOTE: THE FOLLOWING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT**

Hogan

SSSJR 4
ANALYSIS OF PROPOSED CHANGES

1. APPROPRIATION LIMITATIONS:

Line 13 - "The amount of State money..."

The delegates to the constitutional convention discussed differentiating between State money and "other funds". We don't have much recorded information on the discussions, but the decision was not to create different kinds of public money. To include the phrase "State money" would lead to extensive wrangling between the legislature and the executive as to what constitutes State money.

2. EXCEPTIONS FROM APPROPRIATION LIMITATIONS:

Lines 25 & 26 - "money received in trust for a specific purpose"

1 and 2 are inter-related. "trust fund" is a favorite term of the Attorney General for funds that should bypass the legislative appropriation process. If "money received in trust" or "trust funds" are allowed in the constitution where currently no such term exists, the Attorney General could proceed to overturn the Superior court decision in Kelly vs. Hammond by seeking a judgement that such grants are trust funds and therefore exempt from the limitation, and from appropriation by the legislature.

Lines 26 & 27 - "appropriation of money to be deposited in the permanent fund"

#318

Permanent fund appropriations should not be exempt from the limitation. They should be subject to the voter approval provision for capital projects.

Lines 27 & 28 - "money appropriated to pay permanent fund dividends"

#4 Permanent fund dividends should not be exempt from the limitations. They should be subject to the voter approval provision for capital projects.

Line 28 & 29 and page 2, line 1 - "money appropriated to capitalize loan funds..."

#5
#6 Loan fund capitalization should not be exempt from the limitations. They should be subject to the voter approval provision for capital projects.

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*1469 am*BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE SENATE

2 SPONSOR SUBSTITUTE FOR

3 SENATE JOINT RESOLUTION NO. 4

4 IN THE LEGISLATURE OF THE STATE OF ALASKA

5 TWELFTH LEGISLATURE - FIRST SESSION

6 Proposing and amendment to the Constitu-
7 tion of the State of Alaska relating to
8 limitations on appropriations of state
9 money.

10 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

11 * Section 1. Article IX of the Constitution of the State of Alaska is
12 amended by adding new sections to read:

13 SECTION 16. APPROPRIATION LIMITATIONS. The amount of money the
14 governor may request or the legislature may appropriate during a fiscal
15 year shall not exceed the amount of \$2.5 billion for the base fiscal
16 year of 1982 by more than the cumulative increase in the federal
17 consumer price index for the State for the calendar years preceeding
18 the governor's submission of the budget under section 12 of this
19 article plus or minus a percentage equal to the cumulative average
20 yearly growth or loss in the State's population as shown by the last
21 two federal censuses or renumerations. Money appropriated under any
22 exception prescribed by section 17 of this article shall not be
23 included in the base for determining the allowable increase from year
24 to year.

25 SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The
26 limitations on increases in appropriations do not apply to money
27 appropriated capital improvements, whether of bond
28 proceeds or otherwise, where the appropriation for the capital
29 improvements is approved by the voters; money appropriated to escrow

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1 accounts or otherwise to repay general obligation bonds; money
2 appropriated as a reserve for disasters of natural or human origin or
3 other emergencies; money appropriated to coincide with increases in
4 user fees; money appropriated to meet increases in costs to the State
5 resulting from court orders or a transfer of authority or responsi-
6 bility to the State from the federal government; or money appropriated
7 by a vote of two-thirds of the membership of each house and approved
8 by the governor to meet disasters of natural or human origin which
9 are declared by the governor.

10 * Sec. 2. The amendment proposed by this resolution shall be placed
11 before the voters of the state at the next general election in conformity
12 with art. XIII, sec. 1, Constitution of the State of Alaska, and the
13 election laws of the state.
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**PLEASE NOTE: THE PRECEDING PAGES WERE TREATED
AS A UNIT IN THE ORIGINAL DOCUMENT.**

8 suggested deletions

IN THE SENATE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

SPONSOR SUBSTITUTE FOR

SENATE JOINT RESOLUTION NO. 4

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWELFTH LEGISLATURE - FIRST SESSION

Proposing an amendment to the Constitu-
tion of the State of Alaska relating to
limitations on appropriations of state
money.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is
amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of ^{#1}State money
The governor may request or the legislature may appropriate during a
fiscal year shall not exceed the amount of \$2.5 billion for the base
fiscal year of 1982 by more than the cumulative increase in the federal
consumer price index for the State for the calendar years preceding the
governor's submission of the budget under section 12 of this article
plus or minus a percentage equal to the cumulative average yearly
growth or loss in the State's population as shown by the last two
federal censuses or renumerations. Money appropriated under any excep-
tion prescribed by section 17 of this article shall not be included in
the base for determining the allowable increase from year to year.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limi-
tations on increases in appropriations do not apply ^{#2}to money received
in trust for a specific purpose ^{#3}to appropriations of money to be
deposited in the permanent fund; ^{#4}money appropriated to pay permanent
fund dividends; ^{#5}money appropriated to capitalize loan funds; ^{#6}but only
if the money to subsidize these loans at below market interest rates is

appropriated separately under the limitations; money appropriated to construct capital improvements, whether of bond proceeds or otherwise, where the appropriation for the capital improvements is approved by the voters; money appropriated to escrow accounts or otherwise to repay general obligation bonds; money appropriated as a reserve for disasters of natural or human origin or other emergencies; money appropriated to coincide with increases in user fees; money appropriated to meet increases in costs to the State resulting from court orders or a transfer of authority or responsibility to the State from the federal government; #8 money derived from one-quarter of the income from those contributions made to the permanent fund which exceed the minimum required by this constitution; or money appropriated by a vote of two-thirds of the membership of each house and approved by the governor to meet disasters of natural or human origin which are declared by the governor.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

395

****COPY****
ALASKA SENATE
CS SJR 4 FIN AM 1

1ST SESSION 12TH LEG

6/12/81 11:37 AM

7 YEAS 12 NAYS 0 EXC 1 ABS

Y	BENNETT	N	FERGUSON	N	MULCAHY	N	STURGULEWSKI
N	BRADLEY	Y	FISCHER	Y	FARR	N	ZIEGLER
Y	COLLETTA	N	GILMAN	N	RAY		
Y	DANKWORTH	Y	HOHMAN	Y	RODEY		
N	ELIASON	N	KELLY	A	SACKETT		
N	FAHRENKAMP	N	KERTTULA	N	STIMSON		

+ VOTED FOR

* CHANGED VOTE

396

****COPY****
ALASKA SENATE
CS SJR 4 FIN AM 2

1ST SESSION 12TH LEG

6/12/81 11:40 AM

		11 YEAS	9 NAYS	0 EXC	0 ABS		
Y	BENNETT	N	FERGUSON	N	MULCAHY	N	STURGULEWSKI
N	BRADLEY	Y	FISCHER	Y	PARR	Y	ZIEGLER
Y	COLLETTA	N	GILMAN	Y	RAY		
Y	DANKWORTH	Y	HOHMAN	Y	RODEY		
N	ELIASON	N	KELLY	N	SACKETT		
N	FAHRENKAMP	Y	KERTTULA	Y	STIMSON		

+ VOTED FOR

* CHANGED VOTE

397

****COPY****
ALASKA SENATE
CS SJR 4 AM AM 3

1ST SESSION 12TH LEG

6/12/81 11:41 AM

14 YEAS 6 NAYS 0 EXC 0 ABS

Y	BENNETT	N	FERGUSON	N	MULCAHY	N	STURGOLEWSKI
Y	BRADLEY	Y	FISCHER	Y	PARR	Y	ZIEGLER
Y	COLLETTA	N	GILMAN	Y	RAY		
Y	DANKWORTH	Y	HORMAN	Y	RODEY		
N	ELIASON	Y	KELLY	Y	SACKETT		
Y	FAHRENKAMP	Y	KERTTULA	N	STIMSON		

+ VOTED FOR

* CHANGED VOTE

HOGAN'S VERSION

POSITION PAPER

Adrian

To limit only the operating budget of the State, while allowing other expenditures to accumulate without limitation means two things. First, it means parallel budgets, one which is limited, the other which is not. People of the State want State expenditures to be limited, not just slices of particular budgets. Secondly, to allow uncontrolled growth outside the limitation means to place a time bomb at the heart of the operating budget which will eventually explode the ceiling. Capital projects create operating budget impacts. The current rule of thumb is that their operational expenses are \$1 for every \$4 construction costs -- on an annual basis. Similarly, loan programs and all other programs which would be allowed under this version impact the operating budget.

It should be remembered that the operational cost of government per se has been but a minor percentage of the increase in State expenditures. Far more important have been capital projects, loan capitalization, and such new projects as the Energy Center and Delta Barley.

Unless the expenditures outside the operating budget are controlled, there will be no way eventually to keep within the limitation except by facing the choice of abandoning facilities or eliminating services. At this point, there would be a strong incentive to repealing the expenditure limitation.

It should also be remembered that one of the goals of the expenditure limitation is not just the control of the operating budget so that government costs can be carried when Prudhoe Bay revenues decline. People also want to be sure that there are funds which have been either preserved or wisely invested so that there is an economic return to the citizens to offset declining oil revenues. Under this version, there is no way of insuring that this goal will occur -- as a matter of fact, all the non-operating budget funds could be spent rather than invested for future use.

All the portions of current expenditures which have primarily inflated the State budget are outside the appropriation limitation. Loans and loan subsidies, capital projects, special projects and every other sort of constituent desire are exempted from limitation. This means that legislators are left in much the same position they now occupy: there is no reason to say no.

The operating budget override mechanism applies only to amounts in excess of the operating budget limitation, where there is less pressure to overspend. Even when there is a desire for an operating budget item, if there is no room left under the ceiling, it will be simple enough to place it in the capital budget, as now occurs or simply to pass a separate appropriation bill.

Hence, the net effect of this version will be to give the appearance of a spending limit while in no way restricting the flexibility of either the Governor or the Legislature to spend as they wish.

Introduced: 5/19/81
Referred: Finance and
Judiciary

1 IN THE HOUSE

BY MALONE AND BEIRNE

2 HOUSE JOINT RESOLUTION NO. 57

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - FIRST SESSION

5 Proposing an amendment to the Con-
6 stitution of the State of Alaska
7 relating to limitations on appropri-
8 ations of state money.

9 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. Article IX of the Constitution of the State of Alaska
11 amended by adding a new section to read:

12 SECTION 16. APPROPRIATION LIMITATIONS. ~~Except for appropriations~~
13 ~~to the permanent fund and appropriations required to pay the principal~~
14 ~~and interest on general obligation bonds,~~ the amount of money appro-
15 priated during a fiscal year ^{for the operating costs of state government*} from whatever source and for whatever
16 purpose, shall not exceed the amount appropriated in the base fiscal
17 year by more than the cumulative increase in the federal consumer price
18 index for the State for the calendar years preceding the governor's
19 submission of the budget under Section 12 of this article plus or minus
20 a percentage equal to the cumulative average yearly growth or loss in
21 the State's population as shown by the last two federal censuses or
22 renumerations. The legislature may, by affirmative vote of two-thirds
23 of the membership of each house, make appropriations in excess of this
24 limit by enactment of appropriation bills limited to a single item of
25 appropriation for a single purpose but the excess appropriations, if
26 any, shall not be included in calculating the limit for the next fiscal
27 year. ~~The governor shall cause any unappropriated balance to be~~
28 ~~invested at market rates.~~ The base fiscal year for purposes of this
29 section is the period from July 1, ¹⁹⁸¹1980 to June 30, ¹⁹⁸²1981.

* Additional language could specify "and state operating grants to local governments."

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount _____ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount _____ billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or reenumerations. Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of money the Governor may request or the Legislature may appropriate during a fiscal year may not exceed the sum of \$_____ per capita, as adjusted for national inflation.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The per capita limitation on appropriations does not apply to appropriations to the Permanent Fund or to other funds producing market rate income. Except for Permanent Fund principal, principal and income of funds excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

~~Permanent Fund~~

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceeding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of _____ billion is to be used as the amount of appropriations in fiscal year 1982.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Except for the principal of the Permanent Fund, principal and income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983, in no fiscal year shall the rate of growth of general fund appropriations, excepting appropriations for income-producing investments, exceed the cumulative rate of growth of the economy of the State since fiscal year 1980 as determined by law. ^{No} An appropriation in excess of this limit shall ~~not~~ be made unless a state of emergency is declared by the governor to exist, as provided by law.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ _____ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or renumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.



I don't like this, in other Tom's or Margo's bill.

Possible to not pass through the General Fund

This is a very good clause it the philosophy can't be circumvented by technical changes

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

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Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

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A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

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 am takes effect
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 certificate
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SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion ^{dollar} by more than the cumulative change in population and inflation, ~~since July 1, 1980, as defined by law,~~ ^{as defined by law,} except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve ^{without a referendum} each bill by the affirmative vote of ^{vote} two-thirds of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

*a 2/3 vote of each house
 of the legislature x change
 another bill*

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13 SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
14 to the Alaska permanent fund, appropriations required to pay the prin-
15 cipal and interest on general obligation bonds, and appropriations of
16 money received from a non-state source in trust for a specific purpose,
17 appropriations from the treasury for a fiscal year shall not exceed
18 \$2 billion by more than the cumulative change in population and infla-
19 tion since July 1, 1980⁷⁹, as defined by law, except that the governor may
20 propose appropriations in excess of this limit for capital improvements
21 of the same type in separate bills for each type of capital improvement
22 and the legislature may approve ^{without a referendum} each bill by the affirmative vote of
23 two-thirds of the membership of each house. No other appropriation in
24 excess of this limit may be proposed by the governor or approved by the
25 legislature unless to meet a state of disaster declared by the governor
26 as prescribed by law. The governor shall cause any unappropriated bal-
27 ance to be invested so as to yield competitive market rates to the
28 treasury.
29

SUMMARY OF RECOMMENDATIONS
AND ESTIMATED FUTURE APPROPRIATIONS
(Millions of Dollars)

*Categories
to be
concluded up*

	<u>FY 81 Adj</u>	<u>FY 82 Rec</u>	<u>% Increase (Decrease)</u>
<u>Operating Budget</u>			
Formula Programs, Total ¹	797.1	1,040.4	30.5
General Funds	723.7	973.4	33.6
Non-Formula Programs, Total ²	1,040.9	1,139.1	9.4
General Funds	716.3	803.1	12.1
Total Appropriations (to date)	1,838.0	2,179.5	18.6
General Funds	1,440.0	1,776.5	22.9
Additional Appropriations ³	109.5	53.5	(51.1)
General Funds	109.0	50.0	(54.1)
Total Operating	1,947.5	2,233.0	14.7
General Funds	1,549.0	1,826.5	17.5
<u>Capital Budget</u>			
Loans Appropriations ⁴	709.3	400.4	(43.5)
General Funds	709.3	400.4	(43.5)
Other Capital Appropriations ⁵	1,352.2	288.2	(78.7)
General Funds	974.4	227.4	(76.7)
Total Capital	2,061.5	688.6	(66.6)
General Funds	1,683.7	627.8	(62.7)
<u>Subtotal Regular Budget</u>			
Total Funds	4,009.0	2,921.6	(27.1)
General Funds	3,237.7	2,454.3	(24.2)
<u>CIP Conversion</u>			
Total Funds ⁶	---	19.0	---
General Funds	---	19.0	---
<u>Total Regular Budget</u>			
Total Funds	4,009.0	2,940.6	(26.7)
General Funds	3,237.7	2,473.3	(23.6)
<u>Other Appropriations</u>			
Permanent Fund Contribution	900.0	1,800.0	100.0
General Funds	900.0	1,800.0	100.0
"Rainy Day Fund" ⁷	350.0	350.0	---
General Funds	350.0	350.0	---
Escrow Account ⁸	---	300.0	---
General Funds	---	300.0	---
Other Appropriations/Available Revenue ⁹	286.1	381.8	---
General Funds	284.8	381.8	---
<u>Revenues</u>			
Total State Revenues ¹⁰	3,631.0	4,955.1	36.5
Petroleum Revenues	3,223.9	4,557.7	41.4

Explanatory Notes on Page 5

Explanatory notes for Summary of Recommendations table.

- 1 A table of the state expenditures that are referred to as "formula programs" is provided in the Operating Budget section of this book (the following section), on page 19. The Formula Program figures include the increase in general fund expenditures in the Medicaid program arising from the loss of Federal Revenue Sharing Funds. This amounts to approximately \$7 million in FY 81, and \$9.4 million in FY 82.
- 2 The Non-Formula programs figure for FY 81 general funds includes \$5 million that was referred to as Renewable Resources Funds in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 3 The Additional Appropriations figure for FY 81 includes expected supplementals net of lapses, and for FY 82 includes expected budget amendments and new legislation. The bulk of the FY 81 figure is for the Governor's proposed Royalty Premium Distribution.
- 4 The Loans Appropriations figure includes appropriations for both capitalization and subsidies for loans from Alaska Industrial Development Authority, Alaska Housing Finance Corporation, State Business Loans, Department of Community and Regional Affairs Non-Conforming Loans, and the Agriculture Revolving Loan Fund. The loan portfolios that were appropriated in FY 81 (\$492 million) are treated as general funds.
- 5 The Other Capital Appropriations figure for FY 81 general fund includes \$104.1 million that was referred to as Renewable Resources Fund in FY 81. All appropriations from the Renewable Resources Fund are treated as general fund appropriations in FY 81 and FY 82.
- 6 The C.I.P. (Capital Improvements Program) conversion represents changing the funding source for certain positions in Department of Transportation and Public Facilities that are associated with that department's capital programs. This conversion changes the funding for these overhead positions from a percentage of specific projects to general funds.
- 7 The \$350 million requested for FY 82 for the Rainy Day fund is intended to be funded from "carry forward" money estimated to be available in the general fund at the end of FY 81.
- 8 The Escrow Account represents an amount to be appropriated to a fund that could be used to help cover a share of the State's liability should such arise from the present litigation regarding the corporate petroleum income tax.
- 9 The Other Appropriations for FY 81 that are included in this lump sum figure do not easily fit into any of the above listed categories. The bulk of the FY 81 figure is accounted for by Chapter 3 of the 1980 Special Session (\$185.5 million) and Chapter 33, SLA 80 (\$87 million). The bulk of the FY 82 figure is intended to be requested for a program to help finance energy development projects.
- 10 Petroleum Revenues are defined as corporate petroleum income taxes, oil and gas severance taxes, oil and gas property taxes, and net royalties, leases, rents and bonus sales.

FORMULA PROGRAMS
(GF only, in thousands)

<u>EDUCATION</u>	<u>FY81 Auth</u>	<u>FY82</u>
TRS State Match	18240.5	22041.5
Debt Retirement Local	30250.0	33793.9
Supplemental Equalization	10237.2	27087.7
SOS ASHA Payments	286.0	286.0
Pupil Transportation/Public	17990.5	20195.3
Tuition Students	3700.0	3700.0
Student ADM Support	214524.0	255156.5
Special Education Adj	22032.1	27019.6
Vocational Education Adj	14529.4	20994.6
Community School Adj	2485.9	2641.9
Bilingual Adj	5808.2	8970.7
Board Home Grants	1000.0	1000.0
State Contract Program	6711.7	13396.9
Correspondence Study Local	3437.2	4214.8
Student Financial Aids	10701.9	16864.9
SUBTOTAL =	361934.6	457364.3

ADMINISTRATION OF JUSTICE

Out of State Confinement	2519.5	4175.5
Local Facilities (Jails)	1127.0	1522.2
SUBTOTAL =	3646.5	5697.7

DEVELOPMENT

Shared Taxes	5270.0	7115.0
Municipal Assist. Shared Taxes	11400.0	92000.0
Municipal Revenue Sharing	33500.0	40500.0
SUBTOTAL =	50170.0	139615.0

<u>SOCIAL SERVICES</u>	<u>FY81 Auth</u>	<u>FY82</u>
Longevity Bonus Grants	19947.3	21445.6
AIDC	16072.0	22135.2
Aid to Blind	140.9	161.3
Aid to Disabled	4691.7	5940.5
General Relief	800.0	900.0
Foster Care	3479.3	3545.7
Institution Care	10356.5	14416.2
Old Age Assistance	4479.5	5332.1
Senior Citizens Tax Relief	3294.6	3253.0
SUBTOTAL =	63261.8	77129.6

HEALTH

Medicaid	16779.8	22448.1
General Relief Medical	12168.3	14133.5
SUBTOTAL =	28948.1	36581.6

OTHER

Debt Service (all)	92239.5	128498.7
Permanent Fund Distribution	128500.0	128500.0

TOTAL = 728700.5 973386.9

BUDGET OVERVIEW

This section contains an overview of the Governor's FY 82 budget requests. The intent is to provide a summary of all expected requests, and to show the relationship of these requests to FY 81 appropriations and expected FY 82 revenues. The remainder of this book contains additional detail on the Governor's FY 82 operating budget request. A second book contains details of the Governor's FY 82 capital budget request, and six year capital program.

The two most apparent factors in the following table are the significant increase in the operating budget, and the large decrease in the capital budget. These combine to yield a total budget decrease of approximately 24% in general fund spending from FY 81. However, it must be emphasized that simple comparisons of this sort, without further explanation, can be misleading. For this reason, further discussion is given below.

Except for the drop in "Additional Appropriations", the general fund operating budget shows over a 20% increase. The operating budget figures have been further broken down to indicate the cause of this large increase -- the unusually large growth in "formula programs". Although the designation of "formula" may not be precise when applied to each of the programs included in this group, it was felt to be a generally descriptive title. Essentially, the formula programs are those over which the Governor and the Legislature have relatively little discretion with regard to funding level. That is, unless they choose to underfund the formula, or change the statutory basis, the amount needed to fund these programs is determined more by the number of eligible "clients", than by the Governor or the Legislature. A table of these formula programs is given on page 19 of this book. Examples of programs included in this grouping are the Education Foundation formula, Longevity Bonus program, Medicaid, Municipal Assistance, and G.O. Bond Debt Service. These programs are predominately grants to individuals or local governments.

Contrasted to this significant growth rate, the growth of the non-formula programs is approximately equal to the combined growth of population and inflation. These non-formula programs represent, for the most part, ongoing direct State provision of public goods and services.

The decrease shown in the capital budget is due primarily to the fact that in FY 81 the Legislature passed a one-time capital budget bill of approximately \$500 million (Ch. 50, SLA 80), and also because the FY 81 figures include an appropriation of \$292 million to pay off the State's obligation under Native Land Claims Act. Further explanation of the Governor's FY 82 capital budget is presented in Book II of the Executive Budget Document.

The \$19 million for conversion of position funding from capital funds to general funds is shown as a separate item since in actuality it does not represent an increase in State spending. These positions were previously funded with State capital project funds, so all that is occurring is a switch of State funding sources.

The Other Appropriations for FY 82 are listed separately since they will be introduced as separate bills. The contribution for the "Rainy Day" fund for FY 82 is intended to be funded out of carry-forward funds available at the end of FY 81. Since these carry-forward funds are required for cash flow purposes, appropriate uses of these funds are either to leave them in the general fund, or appropriate them to a cash reserve fund, such as the Rainy Day Fund. The Escrow Account is also a reserve account related to the present litigation over the corporate petroleum income tax.

The bulk of the unspecified Other Appropriations/Available Revenues for FY 82 is intended to fund a program that will assist in the financing of energy development projects -- primarily hydroelectric projects. A specific legislative proposal was under development at the time this document went to print.

One final overall observation deals with the relationship of spending versus saving in the Governor's FY 82 budget. The Governor's FY 82 appropriation requests can be characterized as saving half and spending/investing the remaining half. Governor Hammond is presenting to the Legislature an integrated saving/investment/ spending plan, of which the FY 82 budget is but one part. Much of this plan is targeted at investing in Alaska's future, as well as attempting to meet current day needs through existing "people programs." Given the source of Alaska's revenue, (in FY 82, 92% of Alaska's total revenue is expected to be derived from petroleum) it seems clear that saving and/or investing a significant portion of current revenues is the only prudent course to follow.

SECTION 16. APPROPRIATION LIMITATIONS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of \$ billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropriations of funds received as a beneficial trust from a non-state source for a specific purpose, appropriations requested by the governor for a single appropriation for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~separately~~ separately ~~under the appropriation limitation~~ under the appropriation limitation. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor.

The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to general accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed \$ 2 by more than the cumulative ¹⁹⁸⁰ population and inflation as defined by law, except that the governor may propose a single capital appropriation ^{for a single project} in excess of this limit and the legislature may approve it by a two-thirds vote of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature ^{to meet a state of disaster} unless a state of emergency is declared by the governor as defined by law.

Real - natural

Blank B -

single capital appropriation
\$ -
Project

operating
Capital
Loans

2,550,000 Budget 1.9 - 125
Bonds 500
Leases 100
Marketing
Capital 275
2.7

Any

2.55

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, ~~appropriations to special accounts~~, appropriations to pay obligations of the state resulting from court orders and appropriations of funds received in trust for a specific purpose, appropriations from the general fund for a fiscal year shall not exceed \$2 Billion by more than the cumulative population and inflation as defined by law, except that the governor may propose a ~~single~~ capital appropriation ^{for a single project} in excess of this limit and the legislature may approve it by a two-thirds vote of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless a state of emergency is declared by the governor as defined by law. *The Gov shall cause any unappropriated balance to be invested at competitive market rates*

*the day's
limitation*

single purpose

SECTION 16. APPROPRIATION LIMITATIONS. The amount of state money the governor may request and the legislature may appropriate during a fiscal year shall not exceed the amount of \$ billion beginning July 1, 1980 by more than the change in a federal index of inflation and population for the state as defined by law. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable yearly increase.

SECTION 17. EXCEPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriation do not apply to appropriations to the Alaska permanent fund, appropriation of funds received as a beneficial trust from a non-state source for a specific purpose, appropriations requested by the governor for a single appropriation for a single project and approved by two-thirds of the members of each house, appropriations to meet the legal obligations of the state resulting from court orders, appropriations required to pay the principle and interest on general obligation bonds of the state, and appropriations for the capitalization of loans, so long as the interest rate is competitive or the difference between the competitive rate and the rate charged is appropriated ~~separately~~ ~~under the appropriation limitation~~. No other appropriation in excess of this limitation may be proposed by the governor or approved by the legislature except to meet a state of disaster as declared by the governor.

The governor shall cause any unappropriated funds to be invested at competitive rates. Income from appropriations excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation.

— single capital improvement

*operating
capital
subsidy for loans
P.F. like deeds
new legislation*

*Cap in base
by AOB (understand?)
by single appropriation*

Sen. Stungulinski

1030

3867

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 billion by more than the cumulative change in population and inflation, ^{as defined by law,} since July 1, 1956, ²⁹ ~~as defined by law,~~ except that the governor may propose appropriations in excess of this limit for capital improvements of the same type in separate bills for each type of capital improvement, and the legislature may approve, ^{without amendment,} each bill ^{by} ~~the affirmative vote of~~ ¹¹ ~~two-thirds of the membership of each house.~~ ^{vote} No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

1010 + copies
Montg

(Copies)

2 changes
bill text right

Revised
Language
by Deques

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 ^{000,000,000} billion by more than the cumulative change in population and inflation, since July 1, 1980, ¹⁹⁷⁹ as defined by law, except that the governor may ^{in separate bills} propose appropriations in excess of this limit for capital improvements ^{with each bill limited to capital improvements which are similar in kind} of the same type ^{as defined by law} in separate bills for each type of capital improvement, and the legislature may approve, ^{without amendment,} each bill by ^a the affirmative vote of two-thirds ^{vote} of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

except that appropriations may be made in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve ~~without increase~~ each bill by a two-thirds vote of each house. To override a veto on a bill for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.

except that the Governor may propose appropriations in excess of this limit for capital improvements of the same type in a separate bill for each type of capital improvement and the legislature may approve without increase in the amount of appropriation each bill by a two thirds vote of each house. ~~To override a veto on a bill for appropriations for capital improvements in excess of the appropriation limit requires a three quarters vote of each house.~~

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Revised
Language
by Deques

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations to the Alaska permanent fund, appropriations required to pay the principal and interest on general obligation bonds, and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2 ^{000,000,000} billion by more than the cumulative change in population and inflation, since July 1, 1980, ¹⁹⁷⁹ as defined by law, except that the governor may ^{in separate bills} propose appropriations in excess of this limit for capital improvements ^{with each bill limited to capital improvements which are similar in kind} of the same type in separate bills for each type of capital improvement, and the legislature may approve, ^{without amendment,} each bill by ^a the affirmative vote of two-thirds ^{vote} of the membership of each house. No other appropriation in excess of this limit may be proposed by the governor or approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury.

relating to limiting increases in
appropriations

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. Article IX, Constitution of the State of Alaska is amended by adding a new section to read:

SECTION 16.. APPROPRIATION LIMITATIONS. Except for appropriations required to pay the principal and interest on general obligation bonds and appropriations of money received from a non-state source in trust for a specific purpose, appropriations from the treasury for a fiscal year shall not exceed \$2,400,000,000 by more than the cumulative change, designated by law, in population and inflation since July 1, 1982. Within this limit, at least 37 1/2 percent shall be reserved for capital projects and loan subsidies. [The legislature may exceed this limit in bills for appropriations to the Alaska permanent fund, for permanent or per capita personal loans from the treasury and in bills for appropriations for capital projects whether of bond proceeds or otherwise, where each appropriation bill is approved by the governor, or is passed by affirmative vote of three-fourths of the membership of the legislature over a veto or item veto, or becomes law without signature, and is approved by the voters according to law. Each bill for appropriations for capital projects in excess of the limit shall be confined to capital projects of the same type, and the voters shall, as provided by law, be informed of the cost of operations and maintenance of the capital improvements.] No other appropriations in excess of this limit may be approved by the legislature unless to meet a state of disaster declared by the governor as prescribed by law. The governor shall cause any unappropriated balance to be invested so as to yield competitive market rates to the treasury..

*Section 2. Article XV, Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL
If a majority of those voting on the question at the general election in 1982 approve the ballot proposition for the total cost to the state of providing for relocation

within the cost is required under the 1982 amendment on appropriation limitations.

SECTION 27. RECONSIDERATION OF AMENDMENT ON APPROPRIATION LIMITATIONS. If the 1982 amendment on appropriation limitations is adopted, the lieutenant governor shall cause the ballot title and proposition for the amendment on appropriation limitations to be placed on the ballot again in the general election in 1986. If the majority of those voting on the proposition reject the amendment, it shall be repealed.

Section 3. The amendment proposed by this resolutions shall be placed before the voters of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

Section 16. APPROPRIATION LIMITATION. The amount of state money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount of \$ _____ for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the governor's submission of the budget under section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the state's population as shown by the last two federal censuses or reenumerations. Money appropriated under any exception prescribed in section 17 of this Article shall not be included in the base for determining the allowable increase in appropriations from year to year.

Section 17. EXCEPTIONS FROM APPROPRIATION LIMITATION. The limitation on increases on appropriations under section 16 of this Article does not apply to appropriations to the permanent fund established in section 15 of this Article or to other funds which produce income at market rates. Income that is returned to the general fund from the permanent fund or from other funds producing income at market rates shall be subject to the appropriation limitation under section 16 of this Article. The legislature may, by affirmative vote of two-thirds of the membership of each house, make an extraordinary appropriation in excess of the limitation under section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the permanent fund, and no item of appropriation submitted in the budget by the governor under section 12 of this Article may be made an extraordinary appropriation.

* Sec. 2. The amendment proposed by this resolution shall be placed before the voters of the state at the next general election in conformity with Article XIII, sec. 1 of the Constitution of the State of Alaska and the election laws of the state.

*Central Dist
P.F.*

*What extent
does technical
change make
different oppo.*

*Tan's unofficial response.
Very different in Sec 17.*

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

*Structural
Capital Budget
Grants*

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceeding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of billion is to be used as the amount of appropriations in fiscal year 1982.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. ~~Except for the principal of the Permanent Fund, principal and~~ Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of money the Governor may request or the Legislature may appropriate during a fiscal year may not exceed the sum of \$_____ per capita, as adjusted for national inflation.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The per capita limitation on appropriations does not apply to appropriations to the Permanent Fund or to other funds producing market rate income. Except for Permanent Fund principal, principal and income of funds excepted from the appropriation limitation shall be returned to the general fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

~~Permanent Fund~~

Cheeks & Salaries -
Unusual circumstances / no precedent
(even P.F. had precedent - endowment funds)
1976 - discussion in P.F. - it's beyond 80% just immediately
1980 management -
[calls a lot of law - lost before statute]

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

Section 16. APPROPRIATION LIMITATIONS. The amount of State money the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount billion for the base fiscal year of 1982 by more than the cumulative increase in the national consumer price index for the calendar years preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal consensus or reenumerations. ~~Money appropriated under any exception prescribed in Section 17 shall not be included in the base for determining the allowable increase from year to year.~~

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation do not apply to appropriations to the Permanent Fund or to other funds which produce income at market * rates. Income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of threequarters of the membership of each house, or by a two-thirds vote of the membership of each house on appropriation requests from the Governor, make appropriations in excess of this limit by enactment of appropriation bills limited to a single item of appropriation for a single purpose, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

Dr. (1) Group

com + 2
market rate
affl doesn't have
funds which
serve only to reduce income producing

income producing
[Pace]

appropriate and of state-wide price increases & state population
national inflation & state population

Referendum for ex. cos / capital / operating
means motherhead's votes

PRO
TRANS
P.F.

** note by 201%*

EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

House Finance Committee

3.68

- debt

- PR

→ 2.111 for '80
est. 2.158 → (M + PR) '82

SECTION 16: APPROPRIATION LIMITATIONS. Except for appropriations

to the permanent fund and appropriations required to pay the principal and interest on general obligation bonds, general fund appropriations during a fiscal year shall not exceed the amount appropriated in fiscal year 1980 by more than the cumulative inflation and population growth or decline as defined by law. No appropriation in excess of this limit may be made unless a state of emergency is declared by the governor as provided by law.

-3.2

Moss - minus school debt service? Force state to pay local bonds.

Malone - yes - Moss - that is discriminatory

Rogers - doesn't apply to endowment funds

Delams - how to assure spent at limit?

wants revenue allocation guideline

Malone - strict limit in conditions & dollar terms
Need to act soon, if anything to be

House

SECTION 16. APPROPRIATION GROWTH LIMIT. Beginning in fiscal year 1983,
in no fiscal year shall the rate of growth of general fund appropriations,
excepting appropriations for income-producing investments, exceed the cumulative
rate of growth of the economy of the State since fiscal year 1980 as determined
by law. An appropriation in excess of this limit shall ~~not~~ be made unless a state
of emergency is declared by the governor to exist, as provided by law.

For
political reason
sub-art II
provisions are very
explicit

Very complex problem

Senator Sturgeon

many different possible approaches.

assumed that people really want to limit state expenditures.

immediary - specific

CS SJR 4 (FINANCE)

SUMMARY

The first is Section 16 and deals with [REDACTED] N. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at [REDACTED] billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

*Endowment
\$10 to University
J. Paul Getty* } *Private
3rd party*

[REDACTED] (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

Principal and Interest Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

Capital Improvements

The limitation figure inc

Gov. does not have a problem

CONSTITUTIONAL LIMIT ON SPENDING

1. [REDACTED] controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. [REDACTED] the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. [REDACTED] spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. [REDACTED] the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;

*other trusts
could be est.
under spending
limit
eff. as est. C.
① market
rates
② income &
general
fund*

- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

REASONS FOR THE FORMULA CHOSEN

Section 16

[REDACTED] time.
In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

[REDACTED]
T [REDACTED]
[REDACTED] Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

[REDACTED]
During times of economic expansion, the constitutional limit is allowed

2

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

[REDACTED] It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

SCOPE OF THE CONSTITUTIONAL LIMIT

Section 17

[REDACTED] State activity. The only reasons for an exemption

1) [REDACTED]

2) [REDACTED]

3) [REDACTED] and capital improvements.

[REDACTED]

[REDACTED]

[REDACTED] The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

Permanent Fund

[REDACTED] are exempt from the expenditure.

The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

[REDACTED] the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

[REDACTED]

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

[REDACTED]

[REDACTED] If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

[REDACTED]

[REDACTED] This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

[REDACTED]

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

CS SJR 4 (FINANCE)

SUMMARY

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;
- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

- trust funds received from third parties;
- Permanent Fund deposits;
- money for General Obligation Bonds;
- loan capitalization funds, if a subsidy is contained under the limitation;

- money for disasters;
- and a limited sum for capital appropriations (\$1500 per capita).

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

REASONS FOR THE FORMULA CHOSEN

Section 16

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the flexibility which we built into the limit, (as have almost all other advocates of a constitutional limit) was to allow for inflation. Any specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

The second element of flexibility was to allow for a dampened amount of swing in government spending levels to accompany swings in the economy. During times of economic expansion, the constitutional limit is allowed

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

It is important to note that the limit on spending refers to the previous year's appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

SCOPE OF THE CONSTITUTIONAL LIMIT

Section 17

The approach we follow is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) Extraordinary items
- 2) Provisions to take care of excess State income during boom periods, through the Permanent Fund and other investments.
- 3) Allowing for a controlled response to the State's development needs through loans and capital improvements.

Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

Permanent Fund

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

Capital Improvements

The limitation figure includes money for capital construction. The sum of \$1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

Section 1. Article IX of the Constitution of the State of Alaska is amended by adding a new section to read:

*The state's
general funds*

Section 16. APPROPRIATION LIMITATIONS. The amount of ~~State money~~ the Governor may request or the Legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceeding fiscal year as adjusted for national inflation for the calendar year preceding the Governor's submission of the budget under Section 12 of this Article, plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal census or renumerations. For purposes of this section the amount of _____ billion is to be used as the amount of appropriations in fiscal year 1982.

Section 17. EXCEPTION FROM APPROPRIATION LIMITATIONS. The limitation on increases in appropriation does not apply to appropriations to the Permanent Fund or to other funds which produce income at market rates. Except for the principal of the Permanent Fund, principal and income from appropriations excepted from the appropriation limitation shall be returned to the General Fund and subject to the appropriation limitation. The Legislature may, by affirmative vote of two-thirds of the membership of each house, make a one time extraordinary appropriation in excess of the limitation under Section 16 of this Article, but each extraordinary appropriation shall be limited to a single item of appropriation for a single purpose. Each extraordinary appropriation shall be subject to the provisions regarding vetoes in Article II, Sections 15 and 16 of this Constitution, except that a three-quarters vote of the membership of each house shall be required to override a veto of an extraordinary appropriation. In the budget submitted under section 12 of this Article, the governor may not propose any extraordinary appropriation other than an appropriation to the Permanent Fund, and no item of appropriation submitted in the budget by the governor under Section 12 of this Article may be made an extraordinary appropriation, but these appropriations shall not be included in calculating the limit for the next fiscal year.

Section 2: The amendment proposed by this resolution shall be placed before the voters of the State at the next General Election in conformity with ART. XIII, Sec. 1, Constitution of the State of Alaska, and the election laws of the State.

CAPITAL PROJECTS

The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say 'no' to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

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The exception of capital projects has appeal to those who feel that Alaska has a great need for infrastructure development, etc. However, excepting capital projects from the limit creates problems. First, new capital projects place burdens on the operating budget. The cumulative effect of these increases may distort the usual budget by its demands. It would also be politically as difficult to say 'no' to constituents who want new football fields, etc., as it is now, if capital projects were exempt from the limitation. The Governor's solution is to suggest voter approval. However, there is no reason for voters to turn down projects, since alternatives for the money are not offered. The situation could be improved by requiring that capital projects' operating and program costs be both identified and accommodated within the spending limitation. Another solution is to provide for a fund which is limited in some way that would provide for local capital projects (viz. Capital Foundation Fund). Without some control, capital projects' expenditures could be as uncontrollable as now and become a time bomb ready to explode the spending limitation. Another solution which has been suggested is to include capital projects within the limit (a higher limit) and specify that capital budget items can be no more than x percent of the annual expenditures. If capital projects are outside the limit, consideration could also be given to defining those capital projects eligible for funding as those which are needed to meet essential government services and necessary to the health, safety and welfare of residents.

(45)

INCREASES IN USER FEES

On the one hand, ~~there~~ is a risk of a tax being relabeled a "user fee" and, therefore, any user fees collected by a State agency or the State itself should be subject to the limit. On the other hand, user fee increases could be subject to legislative approval (or disapproval).

It seems poor public policy to deny a government service to those who are willing to pay for it.

Is there anything that would prevent charge of debt service of revenue bonds as a user fee?

PERMANENT FUND CONTRIBUTIONS

If the desire is to keep the Constitutional amendments wording as general as possible, "exemptions" could be handled as follows:

"Appropriations to funds which serve only to produce income at market rates and which income shall be returned to the General Fund and subjected to the State spending limit, are exempt from the State spending limit."

DISASTERS

There seems to be agreement that "disasters" should be provided for outside the limitation. Questions, however, occur regarding the tightness of a definition or process that would restrict the use of this exemption to those situations truly qualifying.

If a situation is beyond question a "disaster," then it should be relatively simple to collect a super majority to override the spending limitation.

Restricting the definition to those disasters declared by the Governor and voted on by a super majority would also serve the purpose of preventing abuse. *A more simple and direct solution is to not include disasters as an exemption, but rely on the override procedure.*

EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the Legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

EXPLANATION

The working philosophy behind this amendment is an aim for consistency with the bulk of the Alaska Constitution. The Alaska Constitution contains simple and explicit statements of intent and design. To lose this simplicity of approach is to also lose ease of understanding by readers. Further, it was felt that keeping a spending limitation as simple as possible would ease voter understanding of the issue when the issue comes on the ballot.

Also in keeping with the idea of mirroring the Constitution, this amendment attempts to reinforce and strengthen the existing system of checks and balances so that the addition of an amendment does not do damage to the political system. The philosophical approach used in this amendment is the desire to limit expenditures of State revenues.

BASE

The amendment calls for a number to be used instead of a fiscal year or other indication of the starting point. Specification of a number will, most likely, decrease ambiguity and lessen the likelihood of litigation. Further fiscal analysis is necessary to determine the proper number.

COVERAGE

The spending limitation will apply to any appropriation from the General Fund. This allows for the direct control of expenditures of all General Fund revenues. Language included in the amendment would also require that the return on any investment or trust funds established through State appropriations be contributed to the General Fund. This will ensure that the expenditure of those receipts will also come under the spending limitation.

Federal receipts and program receipts from other non-State sources (such as user fees and private endowments) would be exempt from the expenditure limitation. This will allow flexibility for State programs to respond to changes in non-State revenues, while requiring that any State assumption of the funding of those programs come under the spending limitation.

Because of the variability of non-State revenues, the inclusion of only State-source General Fund revenues in the spending limitation makes the identification of a base year figure easier and makes future year revenue projections similarly easier.

FORMULA

The formula for adjusting the base year figure is a national measurement of inflation and a measure for State population growth. The change in the national consumer price index has been used as the measure of inflation rather than a measure of inflation in Anchorage or in Alaska as a whole.

This is necessary in that the rate of inflation within Alaska results, in part, from State spending levels. The pattern of State spending has affected living costs in Alaska, and would likely continue to do so under spending at current levels. The rate of inflation reflected in the national consumer price index should be more stable and will not be influenced by the State's own spending pattern.

The portion of the formula which allows adjustment of the spending limit for the average rate of State population growth over the past two census periods is the same as is contained in both versions of the spending limit bill (HJR 57 and SJR 4). The identification of the federal census as a basis for population growth rates ensures that the population change figures are determined by a source outside State Government. Any other formula which would allow a State entity to set population growth figures could potentially create a situation wherein the State adjusts its spending limit (upward) based on its own (inflated) population growth figures. It is questionable whether the State has a reliable population monitoring system.

EXTRAORDINARY APPROPRIATIONS

A mechanism is included within the amendment to allow for unusual, unanticipated events or for needed projects which have wide general support. Since an addition is being made to the Constitution, we need to insure that future Governors, legislators, and citizens have an opportunity to respond to events and needs which we cannot foresee. However, it was felt to be equally important to insure that a door was not left open to routinely exceed the spending limitation. Therefore, the amendment presents a means by which to exceed the spending limit, but makes use of that means only by an extraordinary majority. In keeping with the concept of checks and balances, two options were provided. The first means calls for initiation of the extraordinary appropriation from the Governor. When so initiated, passage of the appropriation act depends upon the concurrence of two-thirds vote of each house of the legislature. Extraordinary appropriations can also be initiated by the legislature; but in this case, three-fourths vote of each house must pass the appropriation measure, thus insuring a majority sufficient to overcome a possible veto. The reason for the differences in the majority needed for passage lies in the belief that the chief executive is elected statewide and is more responsive to statewide needs than a coalition of legislators. On the other hand, a three-quarters majority of both houses is fully as representative of statewide interests; hence, the inclusion of a means for legislatively initiated extraordinary appropriations.

The amendment specifies that each appropriation bill can contain only a single item. Again, this works toward the goal of common agreement on need to exceed the limitation, as "log rolling" is more difficult when single appropriation bills are at issue.

It should be pointed out that, while there is no mention made in this amendment, the amendment does not change the Governor's existing power to act in cases of disaster or emergency. Furthermore, the referendum process remains unchanged, whereby the Legislature can decide by simple majority vote to put spending questions before the voters, although funding of these items (aside from revenue bonds) falls under the spending limitation.

DRAFT
Law

#2 - 85
7/13/81

#0955-9499

Proposing an amendment to the Constitu-
tion of the State of Alaska relating to
limiting increases in appropriations.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX, Constitution of the State of Alaska is amended
by adding a new section to read:

SECTION 16. APPROPRIATION LIMITATIONS. Except for appropriations
to, and for dividends from, the Alaska permanent fund, appropriations
required to pay the principal and interest on general obligation bonds,
and appropriations of money received from a non-state source in trust
for a specific purpose, appropriations from the treasury for a fiscal
year shall not exceed \$2,000,000,000 by more than the cumulative change,
derived from federal indices designated by law, in population and in-
flation since July 1, 1979. The legislature may exceed this limit in
bills for appropriations for capital improvements, whether of bond pro-
ceeds or otherwise, if each bill is approved by the governor, or passed
by affirmative vote of three-fourths of the membership of the legisla-
ture over a veto or item veto, or becomes law without signature, and is
approved by the voters according to law. Each bill for appropriations
for capital improvements in excess of the limit shall be confined to
capital improvements of the same type, and the voters shall, as pro-
vided by law, be informed of the cost of operations and maintenance of
the capital improvements. No other appropriation in excess of this
limit may be made except to meet a state of disaster declared by the
governor as prescribed by law. The governor shall cause any unappro-

1 priated balance to be invested so as to yield competitive market rates
2 to the treasury.

3 * Sec. 2. Article XV, Constitution of the State of Alaska is amended by
4 adding new sections to read:

5 SECTION 26. APPROPRIATIONS FOR RELOCATION OF THE CAPITAL. If a
6 majority of those voting on the question at the general election in
7 1982, approve the ballot proposition for the total cost to the state of
8 providing for relocation of the capital, no additional voter approval
9 of appropriations for that purpose within that cost is required under
10 the 1982 amendment limiting increases in appropriations (art. IX, sec.
11 16).

 SECTION 27. RECONSIDERATION OF AMENDMENT LIMITING INCREASES IN
APPROPRIATIONS (art. IX, sec. 16). If the 1982 amendment limiting ap-
propriation increases is adopted, the lieutenant governor shall cause
the ballot title and proposition for the amendment to be placed on the
ballot again in the general election in 1986. If the majority of those
voting on the proposition in 1986 reject the amendment, it shall be re-
pealed.

 SECTION 29. APPLICATION OF AMENDMENT. The 1982 amendment limit-
ing appropriation increases applies to appropriations made for fiscal
year 1984 and thereafter.

* Section 3. The amendments proposed by this resolution shall be placed
before the voters of the state at the next general election in conformity
with art. XIII, sec. 1, Constitution of the State of Alaska, and the elec-
tion laws of the state.

Draft

COMMITTEE REPORT FCC SJR 4

This report reflects the agreement and understanding of the committee members regarding the content of the proposed constitutional amendment.

Regarding the base figure of \$ 2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the committee approved the concept of a variety of governmental services and public needs competing under the spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation rate. The committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation changes but rejected this approach on the basis of consistency with existing constitutional language. However, it is the committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of state funds. The committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the committee agreed that payments for debt service on general obligation bonds of the state should also be exempted in order not to jeopardize the state's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the Legislature, Governor, and people of the state to offer, approve and vote in favor or disapproval of bond propositions. This constitutionally provided for process remains unchanged by the amendment offered by the committee.

Regarding the exemption of "money received from a non-state source in trust for a specific purpose", the committee excluded this item to specifically distinguish it from "appropriations from the treasury". It is intended that the words represent those funds which might be received by the state from a variety of outside sources for specific purposes. The revenues range from paying a boiler inspector's travel expenses to endowing a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the Legislature has authorized the money to handle. In each instance, the state receives money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used.

However, it is clearly the intention of the committee to exclude the possibility of state funded endowments as an appropriation exemption.

The committee spent a great deal of time considering the problem of capital improvements. Although capital improvement appropriations are allowed for under the appropriation limitation, the committee did not want to totally restrict the ability of future legislatures to appropriate funds for needed and meritorious capital improvements. However, the committee felt that this desire had to be balanced by their recognition of the need to tighten expenditures. The solution approved by the committee was to tighten procedural requirements, thereby making the capital appropriation more difficult. For this reason, while the ability of the legislature to appropriate is not changed, the balance is tipped toward the Governor, thereby limiting the discretion of the legislature. The resulting procedure is for the governor to initiate bills, which would be similar to bond proposals, and for the legislature to approve them by an extraordinary majority. The committee sees the language regarding these appropriations to mean that types of projects, for example, roads (but not omnibus transportation, such as roads and ferries, and airports, all of which are "types") would be proposed as a consolidated bill by the governor.

Aside from the exceptions specified in the amendment, the committee intended that the only other cause for an appropriation outside the appropriation limitation would be "disasters." The committee considered language of the broader nature of "emergencies" and rejected this notion. "Disasters" includes occurrences of natural or human origin that require special efforts to counter or ameliorate. Examples offered by committee members included the 1964 earthquake and the Fairbanks flood, but specifically did not include economic or fiscal crises. The last sentence in the amendment serves two purposes. The first is to direct excess rev-nues, those above the appropriation limitation and whatever sums

are appropriated under the noted exemptions, into investments which earn market rates. The committee considered directing these sums into the Alaska Permanent Fund, but did not do so in order that future legislatures be able to use the capital if needed to support governmental services (only the income of the Permanent Fund could be so used). However, the legislature could appropriate all excess funds into the Permanent fund if it so desired. In addition to directing the surplus revenues, the committee intended by this language to address the question of state loans. The committee intended that the state could make loans at competitive market rates using surplus funds. However, if interest rates below competitive market rates were charged, the subsidy difference would have to be appropriated from under the expenditure limitation. A variety of optional phrases were considered in place of "competitive market rates." In settling on this language, the committee intended to indicate that the interest charged should be the same as commercial or other lenders use for loans of similar type, term, and risk. The comparable markets might be national, regional or Alaskan, depending on the particular loan, term, and risk. The return to the general fund should be the market rate. Any difference between the **market rate** and a sub-market rate, if specified by statute, would have to be appropriated from under the appropriation limitation where it would compete with other services, interests and concerns.

INSERT A

By the phrase "appropriations from the treasury," the committee means all those funds known as "general fund" revenues which derive from taxes and other charges and includes only unrestricted federal funds, such as block grants, but does not include federal categorical or grant funds which may be appropriated by the legislature outside the expenditure limitation.

kind. The legislature may delete, replace or add capital improvements to a bill proposed by the governor, so long as they are *similar in kind to* ~~of the same type as~~ the capital improvements proposed in the bill by the governor and the total amount of appropriation in the bill is not increased. The legislature may approve each bill by a two-thirds vote of the membership of each house.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

Section 14. Article IX of the Constitution of the

State of Alaska is amended by adding new section to read:

SECTION 14. APPROPRIATION LIMITATIONS. The

amount of State money the governor may request or the

legislature may appropriate during a fiscal year shall not

exceed the amount of \$1.7 billion for the base fiscal year

of 1962 by more than the cumulative increase in the federal

consumer price index for the state for the calendar years

preceding the governor's submission of the budget under

section 13 of this article plus or minus a percentage equal

to the cumulative average yearly growth of taxes in the

State's population as shown by the last two full censuses

or censuses. Every appropriation shall only exceed an

amount prescribed by section 17 of this article shall not be

included in the base for determining the allowed increase

from year to year.

SECTION 15. EXERCISES FROM ALLEGEDLY

FINANCIAL. The limitations on increases in appropriations

do not apply to money received in trust for a specific

purpose or for obligations of money to be deposited in the

permanent fund; money appropriated to capitalize loan funds;

but only if the money is to subsidize those loans at below

market interest rates as appropriated separately under the

limited money appropriated by two-thirds of each house

to construct capital improvements, whether or bond proceeds

or otherwise, where the appropriation for the capital

improvements is approved by the voters as appropriated

to secure accounts or otherwise to repay special obligation

bonds; money appropriated to meet interest on bonds to the

State, including bonds issued or money appropriated by

a vote of two-thirds of the membership of each house and

State have

Capital
M & M
Capital

Alaska
Legislature
Approved
1962

State

approved by the governor to meet disasters of natural or human origin which are declared by the governor.

*Sec. 2. The amendment proposed by this resolution shall be placed before the voter of the state at the next general election in conformity with art. XIII, sec. 1, Constitution of the State of Alaska, and the election laws of the state.

*2 actual funds
out side*

CS SJR 4 (Pin)
CONSTITUTIONAL LIMIT ON SPENDING

The primary reason for the constitutional limit on spending is to guard against a dramatic increase in government spending during the boom portions of Alaska's economic cycles. To the extent that a spending limit encourages saving of revenues, there are a variety of benefits from the limit, including:

1. To limit expenditures controls growth. This will mean retaining the capacity to support ourselves when revenues decline -- by limiting outgo and providing for future income.
2. The limit helps minimize the extent to which government spending must be cut back during the downswings in the economy. Government expenditures seem much easier to increase rather than decrease, and large decreases can be especially disruptive.
3. The limit helps make government spending a stabilizing influence in the economy. Spending will represent a relatively smaller portion of Statewide economic activity during the booms, and be able to respond to economic downturns.
4. The limitation covers most areas in which representatives traditionally have "traded off" and established priorities. Competition for the scarce resource of expenditure limited funds will bring back to the political process a healthy competition. There will be reason for legislators to say "no" to some projects, and to support others with needed dollars.

PROPOSED AMENDMENT
EXPLANATION

The proposed constitutional amendment contains two sections.

The first is Section 16 and deals with APPROPRIATION LIMITATION. It states that appropriations are limited to the appropriation of the previous year, adjusted for inflation and population change. The base is FY '82 at \$2.7 billion.

Section 17 deals with EXCEPTIONS to the appropriation limitation. Exempted are:

[REDACTED]

- Permanent

[REDACTED]

[REDACTED]

- loan capital

[REDACTED]

[REDACTED];
[REDACTED]

Capital appropriations and disaster appropriations are made by a two-thirds vote of each house and are subject to the Governor's veto. The State of disaster must be first declared by the Governor.

As with other versions of the spending limitation, neither appropriations exempt from the spending limit nor extraordinary appropriations can be used to "increase" the spending limitation for the next fiscal year.

The present veto powers of the Governor remain unchanged. Both appropriations under the limit and appropriations exempt from limitation are subject to the veto. In turn, legislative veto override powers also remain unchanged.

Overall, the proposed language creates only a few "automatic" exemptions from the spending limitation. It is simply not possible to control the growth of government spending (and, in turn, government itself) unless the spending limitation is as all-inclusive as possible. Again, appropriations to the Permanent Fund and to funds invested at market rates are exempted as an encouragement to the Legislature to save rather than spend for larger government programs.

An analysis of specific exemptions included in this version of the spending limitation are attached.

REASONS FOR THE FORMULA CHOSEN

Section 16

A constitutional limit should be appropriate for a long period of time. In designing the formula, we looked for a long-term solution which treated downturns, repeat booms, and overall trends in State income, as well as our present wealthy conditions.

The first element of the formula is that the limit is in adjusted dollars. Almost all other advocates of a constitutional limit was to allow a specific dollar limit must be in adjusted-dollar terms, as inflation is too great to make any other formula workable over a long period of time. A federal index of Alaskan inflation was specified because it was thought a third party source for the measure was desirable. In this way, the State will not be determining the rate used for its own limitations.

[REDACTED]

During times of economic expansion, the constitutional limit is allowed

to grow, in real terms, to the extent that population grows. During the downswings we believe that taxpayer resistance and other economic realities will hold State spending in check, and that in a broad sense government spending will be regulated by ability to pay. Therefore, there was no need to make specific provisions in the constitutional limit for economic downswings.

If [REDACTED] ye [REDACTED] appropriations as a base. It is a limit on the rate of growth, which in turn controls total size during boom periods. It is a much more flexible and effective limit than one which establishes a single base year and gives a cumulative adjustment for inflation and population growth, since the latter formula limit will probably grow beyond the State's ability to pay within ten or twenty years.

SCOPE OF THE CONSTITUTIONAL LIMIT

Section 17

The approach we follow is that aggregate levels of State activity must be controlled. Therefore, the limit must include -- and be appropriate for -- almost all State activity. The only reasons for an exclusion from the limit are:

- 1) [REDACTED]
- 2) [REDACTED] Provision to [REDACTED] of excess State income during boom periods, through the Permanent Fund and other [REDACTED]
- 3) Allowing for a controlled response to [REDACTED] it [REDACTED] improvements.

Money Received In Trust for a Specific Purpose

This exemption is designed to allow for the receipt of non-State funds which are restricted for specific purposes. The State presently receives money which must be spent for specific purposes. The intent of this exemption is to allow for the receipt and expenditures of these funds from non-State sources outside of the limitation. The language included in the bill specifically notes that the trust funds' exemption applies only to funds from another source. This exemption would apply to such items as benefactors' trust funds to a museum or the university.

Permanent Fund

cannot consider management of other funds

Appropriations to the Permanent Fund are exempt from the expenditure limitation for two reasons. The first reason is to assure that deposits to the fund do not compete with appropriations for other purposes. By limiting State spending in other areas, more funds should also be available for deposits to the Permanent Fund. This will allow deposits to the fund to be larger than they might otherwise be under a spending limitation.

Secondly, the larger the contributions to the Permanent Fund, the more revenue from that fund will be available for State spending in future years. To meet the intent of the Permanent Fund as a source of major State revenues after oil revenues begins to decrease, deposits to the fund should be as large as possible. The exemptions of the Permanent Fund from the expenditure limitation will encourage generous Permanent Fund deposits which will stabilize State services over time.

Principal and Interest G.O. Bonds

The State's financial advisors tell us that our bond rating will be negatively impacted unless the bond market feels secure that principal and interest on General Obligation Bonds will be exempt from the limitation. This allows the State to meet previously made commitments.

Money to Capitalize Loan Funds

Loan fund capitalization, as distinct from the subsidy for loan funds, is excluded from the limitation. If loan funds earn market rates, then no appropriation limitation applies. If the Legislature desires to subsidize loans, then the subsidy difference between the market rate and the subsidized rate will be made up from under the limitation. It is equitable that the subsidy should compete with other statewide benefits to citizens that are also under the limitation.

Capital Improvements

The limitation figure includes money for capital construction. The sum of \$1500 per capita has been added to the amount contained under the limitation. This means a secured sum of money will be available for capital projects needed in the State, but limits the total available in much the same way as the budget itself is limited in Section 16. Thus, two pools of money are available for capital construction allocation. The \$1500 figure is not adjusted for inflation, providing a declining amount of money available parallel to the decline in Prudhoe Bay revenues, and the filling up of the operation budget of capital project operation, maintenance and programs costs that have accumulated over the years.

Disasters

Disasters are excepted from the State spending limit. The intent is to include such things as:

Need for relief moneys after a natural disaster, providing that such relief is not taken care of by insurance or some other programs;
or

War or similar threats against the State.

Cases of disaster should be unusual and unforeseen. These constraints prevent the exception for emergencies from becoming a routine loophole.

When such a situation exists, the State spending limit may be exceeded upon a declaration of disaster by the Governor, and appropriation of the funds in excess of the State spending limit by a two-thirds majority vote of both the House of Representatives and the Senate. It should be noted that for both capital and disaster appropriations, the Governor retains the authority to veto the appropriation made by the Legislature.

Proposing an amendment to the Constitution of the State of Alaska relating to limitations on appropriations of state money.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. Article IX of the Constitution of the State of Alaska is amended by adding new sections to read:

SECTION 16. APPROPRIATION LIMITATIONS. The amount of State money the governor may request or the legislature may appropriate during a fiscal year shall not exceed the amount appropriated in the preceding fiscal year by more than the increase in the ^{index of inflation for the State} federal consumer price index for the State for the calendar year preceding the governor's submission of the budget under section 12 of this article plus or minus a percentage equal to the cumulative average yearly growth or loss in the State's population as shown by the last two federal censuses or enumerations. Money appropriated under any exception prescribed by section 17 of this article shall not be included in the base for determining the allowable increase from year to year. For purposes of this section, the amount of \$2.7 billion shall be used as the amount of appropriations in fiscal year 1982.

SECTION 17. EXEMPTIONS FROM APPROPRIATION LIMITATIONS. The limitations on increases in appropriations do not apply to money received from another in trust for a specific purpose; to appropriations of money to be deposited in the permanent fund; money appropriated to pay principal and interest on general obligation bonds; money appropriated

1 to capitalize loan funds, but only if the money to subsidize these
2 loans at below market interest rates is appropriated separately under
3 the limitations; money appropriated by the affirmative vote of two-
4 thirds of the membership of each house, whether of bond proceeds or
5 otherwise, to construct capital improvements, not to exceed \$1,500 per
6 capita; or money appropriated by a vote of two-thirds of the membership
7 of each house and approved by the governor to meet disasters of natural
8 or human origin which are declared by the governor.

9 * Sec. 2. The amendment proposed by this resolution shall be placed be-
10 fore the voters of the state at the next general election in conformity with
11 art. XIII, sec. 1, Constitution of the State of Alaska, and the election
12 laws of the state.

COMMITTEE REPORT FCC SJR 4

Since the famous Prudhoe Bay lease sale of 1969, the budget of the State of Alaska has grown at the high compound rate of about 32 per cent. In recent years, according to data prepared by the Division of Legislative Finance, the rate of growth of the budget has increased. Regardless of whether or not a given kind of expenditure is repeated, it appears that total annual spending can easily equal total annual revenues within three fiscal years. At current growth rates, the operating budget alone could take all the State's income within five years.

The fundamental aim of this constitutional amendment is to bring State expenditures under effective but rational control: to encourage more deliberation about the merit and size of programs, to provide more time for programs to be carried out successfully, to force more efficiency in government. Our wealth, far greater and more sudden than anyone had predicted, must be used to bring lasting opportunities to Alaskans.

The Free Conference Committee on SJR 4 reports as follows on the proposed constitutional amendment to limit appropriations.

Regarding the base figure of \$2 billion, the attached information indicates the budgetary items considered in the establishment of the base. It should be noted that the Committee approved the concept of a variety of governmental services and public needs competing under the

spending limitation for funding. For this reason, the operating budget, capital items, loan subsidies, permanent fund dividends, and new legislation are all incorporated under the appropriation limitation.

By the phrase "appropriations from the treasury," the Committee means all those funds known as unrestricted "General Fund" revenues which derive from taxes and other charges and includes federal funds, such as block grants, only to the extent their use is unrestricted. It does not include federal categorical grant funds, which are funds received in trust and hence may be appropriated by the legislature outside the expenditure limitation.

The base is to be adjusted to reflect changes in Alaska's population and inflation since July 1, 1979. The Committee considered a greater degree of specificity in establishing the constitutional definition of the measures of population and inflation changes, but rejected this approach on the basis of consistency with existing constitutional language. However, it is the Committee's intention that the expression of this definition in statutory language reflect an established and widely accepted formulation that is not subject to political pressures to change either the formula or the agency conducting the survey, so as to preserve the integrity of the base figure and the intent to limit expenditures of State funds. The Committee further understands that in setting a "cumulative" figure, any one year's appropriation might be below the allowable appropriation without jeopardizing the ability of subsequent legislatures to appropriate at the maximum allowable by the formula.

Regarding the exceptions to the expenditure limitation, there was universal agreement that appropriations to the permanent fund should be exempted from the limitation. Similarly, the Committee agreed that payments for debt service on general obligation bonds of the State should also be exempted in order not to jeopardize the State's bonding capability. It is also understood that the appropriation limitation does not limit the existing ability of the legislature, governor, and people of the State to offer, approve and vote for or against bond propositions. Under the ruling in Thomas v Rosen, 569 P. 2d 793 (Alaska 1977), bond measures are not considered appropriations, and therefore are not covered by the limitation.

The exemption of "money received from a non-State source in trust for a specific purpose" covers money which is routinely received by every State from a variety of outside sources for specific purposes. These revenues could range from a donation to pay a boiler inspector's travel expenses to the endowment of a chair at the University of Alaska, and they include federal revenues for fish and game, health and social services, and other categorical grants; international airport revenues and revenues from other enterprise funds dedicated to the payment of revenue bonds; money paid into the workers' compensation and unemployment insurance funds; and money received by an agency to perform a service for the grantor on a matter which the legislature has authorized to handle the money. In each instance, the state receives money in a manner in which there is no discretion to be exercised in selecting the purpose for which it can be used. However, it is clearly the intention of the Committee to exclude the possibility of State funded endowments as an

exemption from the limitation on appropriations.

The Committee spent a great deal of time considering the problem of capital improvements. Although appropriations for capital improvements are allowed under the appropriation limitation, the Committee did not want totally to restrict the ability of future legislatures to appropriate money for needed and meritorious capital improvements. However, the Committee believed that this need had to be balanced by the need to tighten expenditures. The solution approved by the Committee was to tighten procedural requirements, thereby making the capital appropriation more difficult but not unreasonably so. The procedure is for the governor to initiate separate bills, which would be similar to bond proposals for each type of capital improvement, for example, one bill for highways, another for airports, another for ferries, another for docks, another for schools, and so forth. The legislature may then approve them as proposed by an extraordinary majority. By requiring separate bills for each type of capital improvement, and prohibiting amendments to the bill, the governor and the Legislature are precluded from combining of several types of capital improvements in a single bill.

Aside from the exceptions specified in the amendment, the Committee intended that the only other cause for an appropriation outside the appropriation limitation would be "disasters." The committee considered using the broader word "emergencies," but it rejected this notion. "Disasters" includes occurrences of natural or human origin that require extraordinary efforts to counter or ameliorate. Examples offered by committee members included the 1964 earthquake and the Fairbanks flood, but specifically did not include economic or fiscal crises.

The last sentence of the amendment directs that excess revenues be invested at competitive market rates, as does the current law that governs the investment of the surplus, but permits lending at less than market rates. First, borrowers can be offered lower interest charges if the difference or subsidy is appropriated within the spending limit. In addition, the Legislature continues to be free to capitalize revolving loan funds, by appropriation, and to set any interest rate it chooses. A variety of phrases were considered in place of "...competitive market rates...". In settling on this language, the Committee intended that interest charges should be the same as those charged by commercial or other lenders for comparable type, term, and risk. The comparable markets might be national, regional, or Alaskan, depending on the loan in question. Any difference between the market rate and the "incentive" rate which might be specified by statute would have to be appropriated under the expenditure limit where it would compete with other services, interests, and concerns. The wording "the governor shall cause" is not meant to limit the ability of the Legislature to specify particular types of investments. However, in the absence of particular action by the Legislature, the governor is required to invest surplus revenues at market rates. Finally, it must be noted that the Committee considered appropriating the surplus into the Alaska Permanent Fund, but did not do so. However, future legislatures may place a part or all of these excess funds into the Permanent Fund if they so desire.